

UNIT 1

Understanding the BPO Sector / Culture

❖ Chapter 1

Overview of BPO Industry

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Learning Objectives:

After taking the course you will be able to:

- Understand the BPO industry
- Identify the career options in BPO industry
- Identify the future potential & challenges for the BPO industry
- Identify the factors affecting BPO cost

Introduction:

BPO stands for Business Process Outsourcing. It means outsourcing of business processes from developed countries to the developing or third-world countries to get faster results and bigger profit margins.

The BPO buzz started in India in the mid nineties. Very few people explored this field in the beginning and ever since it has undergone a sea change. The scenario today is markedly different from what it was a few years back. People were unsure about the future of the industry. Even those who opted to be a part of the industry took their job as a gap option than a progressive career option. However, today the same industry has established itself as one of the pillars of the Indian economy. It has actually given a kick-start to our economy. More and more aspirants are not only joining the industry but also consider it a preferred option today. Many qualified doctors, lawyers, engineers, teachers, and business professionals are steadily joining BPOs & KPOs due to flexi work-hours & options to be able to work from home.

BPO explained, importance & types of services:

Outsourcing is usually defined as "an organization entering into a contract with another organization to operate and manage one or more of its business processes."

BPO in a broader sense means employing an external agency or a third-party vendor to get a job done

1. To attain maximum accuracy
2. At a comparatively lesser cost

These business transactions could range from customer service, sales, collections, and data processing to high-end technical support, maintaining HR payrolls, predicting market trends and so on. There are different types of services rendered by BPOs. These can be either voice-based or data-based (non voice).

Companies that outsource their services usually look for contact-centers with the best of services and infrastructure. The second decisive factor is availability of skilled manpower at competitive rates. When these two conditions are met the host company and the outsourced centre sign a contract and the project moves to the next stage.

These days the concept of KPOs (Knowledge Process Outsourcing) & LPOs (Legal Process Outsourcing) is also maturing. The telephone, e-mail and internet chat are the communication means for the trained professionals in these centers who assist their customers sitting overseas. KPOs & LPOs are subsets of BPOs.

Types of services rendered by BPOs:

- 1.) *Customer support services* – These services are voice, e-mail or chat based. The related call-centers operate 24/7 throughout the year. Typical examples include resolving customer queries related to customer's bank-account status, order status, product information etc.
- 2.) *Technical support services* – These services are also depending on voice, e-mail or internet-chat. The technicians at the outsourced center work round-the-clock to resolve customer queries pertaining to computer hardware, software, peripherals & the internet. The queries handled include installation, product support, trouble shooting, and usage support. For example, if a customer is unable to connect to the internet it is the online technician who troubleshoots the issue.
- 3.) *IT helpdesk support* – The IT professionals assist the internal customers (corporate employees) troubleshoot issues related to password reset and other vital functions, Avaya phone non-functionality, or issues with MS Outlook/Outlook express.
- 4.) *Data-entry services* – It includes entering data at a fast pace taking care to maintain a high degree of accuracy. Examples for this service include maintaining data related to sales, purchase, mortgage etc.
- 5.) *Accounting services* – This includes services related to maintaining general ledger, financial statements, balance-sheets, bank reconciliation statements, assets and liabilities etc.
- 6.) *Internet/ Online services* – This includes online sales and purchases, e-booking & e-ticketing. This is one of the fastest modes to reach out to a majority of the customers worldwide in the shortest span of time.

Job profile in BPOs:

It is presumed by some that working in a BPO is like doing an odd-job to meet your education and other incidental expenses. However, BPOs can provide some serious career options and give a competitive edge to your career.

A typical call center is either voice or non voice based. A voice-based call center usually requires direct interaction with some clients or customers via phone. A non voice based call center doesn't require a direct interaction via phone but you may still be interacting with the client through internet-chat & e-mail.

In terms of hierarchy, almost all BPOs look alike with a few essential differences that give each a distinct profile. The structure more or less looks like this:

Customer-service representatives: This is also known as level 1 or entry level workforce. Customer service representatives are primarily the front-line and the most important workers in a BPO. This is because they are the face of the company to international and other clients. They have the most critical and vital job profile.

Technical support: This is usually specialized support. However, in most of the cases it is generic and doesn't require a specialized degree or diploma.

Hardware support: You can be a graduate in any discipline with a diploma in computer-skills & with a basic know-how of computer-applications. If you are technically inclined the companies train you on their hardware before getting you on-board.

Software support: Specialized technical support where you are expected to be a degree holder in computer application or a technical graduate with knowledge of software applications like C, C++, Java or any other language that is being used.

Network support: It is another specialized field. People supporting servers are referred to as network engineers. CCNA is a good course to begin with a career in networking field.

Other roles in BPOs:

Business Analyst: Professionals working in this field are necessarily post graduate degree holders in finance, statistics, economics or mathematics. It includes market predictions & business or financial analysis of companies. This profile is usually related to KPOs (Knowledge Process Outsourcing)

Medical Transcription: Professionals working in this field are known as Medical Transcriptionists. One usually needs to be a science graduate to be a MT. Though there is no client interaction one needs to interpret and transcribe medical-related data that requires good listening skills, English writing and good typing skills.

Technical Writing/ Instructional Designing: Here we are talking of the art of designing instructions for learners to make the learning process effective. Many institutes have mushroomed with courses in ID (Instructional Designing). It is also referred to as *content development*.

Language Specialists: Foreign Languages like Chinese, Spanish, French, and German etc are also in great demand. These languages help one find a suitable placement with the leading BPOs.

Key skills required for BPOs:

To crack a BPO selection interview one needs to add a reasonable presence of mind to a focused thought-process as well as good communication skills.

1. *The Voice*: Voice plays a key role in getting a placement with a voice-based call centre. The areas covered under voice are **grammar, pronunciation & rate of speech**. It is necessary to speak grammatically correct sentences and the key to this is to speak really short and simple sentences. Open your mouth wide and pronounce each word carefully. You may sound loud at times but the whole idea is to be able to speak normally without any affectations. You may also need to learn the skills of referring online dictionaries e.g. www.m-w.com. Be careful about your rate of speech. You should neither be too fast nor too slow. You should speak at a fairly comprehensible pace for instance, at 100- 120 words per minute.
2. *The Thought Process*: Logical thinking is an asset if you aim to crack a BPO interview.
The subsets here are **listening, organized thinking, fluency & knowledge**. The ears listen to the information and the brain processes it to formulate an impression. Listen carefully to help your brain develop. Do not interrupt the speaker. Do not jump to conclusions. Do not carry preconceived notions about anything or anyone. Think before you speak. Practice organized thinking. Brainstorm one question at a time. First try to put simple ideas and then move on to complex ones. Try to maintain lucid speech by using short and simple sentences. Avoid foghorns & fillers like 'hmm' 'uuh' 'I mean' 'it's like' etc.. Also keep yourself abreast with the latest developments and updates in your area of operation. Try to follow at least one news channel as awareness alone gives you the flexibility and confidence to speak on connected topics and you don't fall short of words during the interview or discussion.

Future potential in the BPO industry:

The BPO industry in India is growing at a fast pace. Off-shoring of more and more business processes is gaining momentum in the global arena. According to the NASSCOM & McKinsey report, India has been the leading off-shore destination during the last decade. It accounts for 65% of the global industry in off-shore IT that accounts for 46% of the BPOs here.

Other sources (www.offshoringtimes.com) indicate that the global market for off-shoring exceeds US \$300 billion. India can still continue to grow at an annual rate of more than 25% and generate export revenues worth US \$60 billion by 2010.

Most of the business comes from traditional industries like retail banking, and cross industry functions like human resources, finance & accounting.

The following factors have helped India emerge as a global hub for off-shoring:

1. Talent pool
2. Good infrastructure
3. Operational excellence in terms of quality & leadership
4. Conducive business environment including policy interventions like telecom reforms
5. Declaration of IT & ITES as essential services to keep them out of political turbulence
6. Continued growth in the domestic IT sector

Given continuous support from state and central governments, IT and ITES industries will continue to grow & generate more and more employment opportunities to our educated youth.

Challenges & Threats facing the BPO industry:

We have witnessed many security breaches in the recent past in data security & data fraud. Be it the HSBC call-center fraud issue or the Citibank credit card money siphon issue, they have raised a question mark about the credibility & sustainability of the BPO industry in India. A result of this has been a gradual reluctance of European & South American countries to outsource their jobs to India. As compared to the number of such cases in the West, their incidence in India is negligible. However, the global media considers India a soft-target and, therefore, these cases have got more coverage than necessary. The following are some more **challenges** that the industry faces today:

1. *Shortage of skilled workers:* Despite the fact that English is treated with respect and is also the medium of instruction in many of the public schools, yet only 25% of the technical graduates & 10-15 % of college graduates from other streams are suitable for jobs in IT & BPO industry. Undeniably, English takes a front seat when we talk about outsourcing but other languages like Spanish, French, German, and Chinese etc. have an equally large scope in the BPO industry.
2. *Stringent government laws:* There are a few state governments having a policy that is either not in favour of a flourishing BPO industry or seeks to hold back its encouraging development or growth. The attitude of the unions and lobbying in West Bengal are examples of this.
3. *Demand growth will slow down:* Countries like Philippines are wary of transferring business process to off-shore locations as their customers do not approve the initiative of outsourcing processes to far-flung areas. They perceive these initiatives as a risk to their data security. It is often difficult for the companies to monitor business processes outsourced other locations outside their countries as both profit margins and customer-satisfaction tends to ring alarms. Thus, with the 'demand' slowing, the 'market' is inclined to shrink for India.
4. *Competition:* India faces competition from many countries in terms of cost. Other English-speaking countries have now become serious competitors by enabling these services at lower costs. They may, however, be compromising on the quality and standards that are vital. Similarly, China is marketing it's excellence in terms of infrastructure. Other countries who have joined this race are Vietnam, Mauritius & France (source: www.forbes.com).
5. *Language & accent:* Internally, most of the IT & ITES Companies are concentrated down south e.g., Bangalore, Chennai, Hyderabad, and Vizag and so on in India. However, experts find it is easier to mould or neutralize the accent of aspirants in northern India. That is a major reason why DELL decided to set up it's facility in Chandigarh. Despite the fact that companies have

invested a lot in southern India, they have failed to tap the talent pool available down south due to a comparatively inflexible accent.

6. *Cost-cutting & attrition:* Companies resort to cost-cutting to offer competitive prices to their clients. As a result, salary slabs also tend to decrease and may lead to employee dissatisfaction and a mind-set that is in a perpetual flux. These factors lead to employee dissatisfaction and hence attrition.
7. *Cultural differences:* There is a marked difference between the culture that we experience in India as compared to the one that exists in the US & the UK. Most of us find it tricky to relate to the way they interact with the customers for example, we may not understand their expression of sarcasm which generally leads to customer-dissatisfaction. The other important factor is the real-time difference which means that BPO assignments involve working in odd-shifts. Such entry and exit times that involve travelling through deserted streets in the dead of night, do not find many eager female aspirants. Thus, because of our conservative way of life many of us in India remain restless to find our wards, especially girls, opting for jobs with call-centers. Though this perception is evolving, it remains a major challenge for the BPO-industry.

Cost/ Quality model resulting in outsourcing:

As you have seen earlier in this chapter, outsourcing refers to the migration of non-core operations from internal production to an external entity specializing in the management of that operation. The trend towards outsourcing is a manifestation of several developments which have radically altered the business landscape.

Technology: The advent of information technology and its various applications have dramatically lowered the cost of communication. There was a time just a few years back when phone calls to the US cost nearly Rs 100 a minute. Today, with technologies like VOIP, the calls may be made for less than Rs 2 a minute, which has made it financially possible to carry out business activities from not just India but any part of the globe.

Emergence of a 'Service Driven Economy': Today, customer is the king. The success of any business depends on unparalleled customer experience. This has led to the emergence of a trend for companies to offer *personalized* customer service. In turn this has led to a spurt in demand for businesses like call-centers and transaction-processing.

Cost-cutting: Organizations world-wide are grappling with cost-cutting pressures which has led them to look at low-cost countries like India and China to carry out some of their business activities.

Cost/ Quality Model:

The decision to outsource is often made to lower costs, redirect or conserve energy directed at the competencies of a particular business, or to make more efficient use of labor, capital, technology and resources.

The concept of 'outsourcing' has its genesis in the theory of 'competitive advantage' in basic economics. According to the principle of **competitive advantage**, it is beneficial for two countries to trade if one has a lower relative cost of producing some good or services. In other words, according to this theory a country should specialize in products and services in which they have a *comparative advantage*. It is preferable for a country to trade where there is a *comparative advantage*. In the process both countries benefit from such a trading practice.

India is one of the youngest nations in the world with a big pool of talented and English speaking workers. It is estimated that by 2010, India will have the **highest number of English speakers in the world**. The availability of skilled English speaking manpower encourages and enables organizations to carry out various business activities in India.

Questions

Very short answer type questions:

- a) What does the acronym BPO mean?
- b) What is the expanded form of LPO?
- c) How will you explain flexi-hours?
- d) What is the key qualification for a job with a BPO?
- e) What is the role of IT helpdesk support?

Short answer type question:

- a) How does outsourcing benefit developed countries?
- b) What role does MTI play in BPO industry?
- c) What are the future potentials of the BPO industry?
- d) Explain 'Business Process Outsourcing'?
- e) 'BPO industry is here to stay.' Justify the statement.

Long answer type questions:

- a) Discuss different types of services offered by BPOs.
- b) Discuss the threats and challenges that face the BPO industry today.
- c) Explain 'BPO job market'.
- d) What are the key skills required for BPO jobs?
- e) 'BPO - a boon or bane for India'. Discuss.