**Deen Dayal Upadhyay Kaushal Kendra**

**Study Material**

**for**

**B.Voc (BPO)**

**Semester- I**

**Nomenclature: Basic Of Business Process Outsourcing**

**Paper Code: BBPO-101**

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**Unit I**

**Business Process Outsourcing – Basics, Benefits of BPO, Growth Drivers, BPO Models**

**Introduction**

Business process outsourcing (BPO) is a subset of [outsourcing](https://en.wikipedia.org/wiki/Outsourcing) that involves the [contracting](https://en.wikipedia.org/wiki/Contracting) of the operations and responsibilities of a specific [business process](https://en.wikipedia.org/wiki/Business_process) to a third-party [service provider](https://en.wikipedia.org/wiki/Service_provider). Originally, this was associated with [manufacturing](https://en.wikipedia.org/wiki/Manufacturing) firms, such as [Coca-Cola](https://en.wikipedia.org/wiki/Coca-Cola) that outsourced large segments of its [supply chain](https://en.wikipedia.org/wiki/Supply_chain)

BPO is typically categorized into [back office](https://en.wikipedia.org/wiki/Back_office) outsourcing, which includes internal business functions such as [human resources](https://en.wikipedia.org/wiki/Human_resources) or [finance](https://en.wikipedia.org/wiki/Finance) and [accounting](https://en.wikipedia.org/wiki/Accounting), and [front office](https://en.wikipedia.org/wiki/Front_office) outsourcing, which includes customer-related services such as [contact centre](https://en.wikipedia.org/wiki/Contact_centre_(business)) services.

BPO that is contracted outside a company's country is called [offshore outsourcing](https://en.wikipedia.org/wiki/Offshore_outsourcing). BPO that is contracted to a company's neighboring (or nearby) country is called [near shore outsourcing](https://en.wikipedia.org/wiki/Nearshoring).



BPO stands for "business process outsourcing," which is simply another term for outsourcing. The term BPO, however, is frequently used to describe a company that is contracted to provide for services or business processes. This might include manufacturing or back-office functions such as accounting and human resources. But BPO might also include front-end services such as customer care and technical support. "Global BPO" is another term for off shoring or outsourcing outside a company's home country or primary market. BPO jobs are not necessarily working at home.

BPO or Business Process Outsourcing refers to the rearrangement of entire business functions to some other service providers, mainly in low cost locations. The service provider may be either self-owned or a third party. This relocation or contracting out of business processes to an outside provider is mainly to achieve increased shareholder value.

Some of the general services provided by the BPOs are Receivables and Payables, Inventory Management, Order Processing, Budget Analysis, Cash flow Analysis, Reconciliation, Data Entry, Payroll Processing, QuickBooks Accounting, Financial Statement Preparation and Accounting Services. Some of the web based services include live online sales and order entry, E-commerce transaction support, Live online enquiry handling, Web Design/Development  
  
Here it is important to note that though BPO may include both IT management and business operations. Business operations include relocating functions such as payroll, accounting, billing or even real estate management to a third party. Invariably all these business processes depend on IT but they are separate from hard-core IT operations like data center activities or network administration. An important facet of business process outsourcing is its ability to free corporate executives from some of their day-to-day process management responsibilities and duties.

BPO (Business Process Outsourcing) involves business process management and outsourcing. Business process management uses technology aimed at redesigning the process, reduce unnecessary steps, and remove redundancies. On the other hand outsourcing uses expertise and resources of dedicated outside service providers to perform many of these vital yet non-core activities. BPO performs both the functions at the same time, thereby speeding implementation and ensuring that the intended benefits really hit the bottom line.

**Benefits of BPO or Reasons for Development of BPO:**

1. **Cost reductions**- Cost reduction is done through process improvements, reengineering and use of technologies that reduce and bring administrative and other costs under control.
2. **Concentration on core business**- With the day-to-day back office operations taken care of, the management is free to concentrate more on the core business of the company.
3. **Outside expertise**- Company is saved from the hassles of recruiting and training personnel. BPOs ensure that experts from another company provide the needed guidance and skills.
4. **Cater to changing customer demands**- It is another great advantage of outsourcing the business processes. Many BPOs provide the management with flexible and scalable services to meet the customers' changing requirements, and to support company acquisitions, consolidations, and joint ventures.
5. **Revenue increase- As stated above, by outsourcing non-core processes, companies can concentrate** on increasing their sales and market share, develop new products; spread out into new markets and increase customer service and satisfactions.

6. **Productivity Improvements**: An important facet of business process outsourcing is its ability to free corporate executives from some of their day-to-day process management responsibilities. Conventionally, executives spend 80 percent of their time in management of details and only 20 percent on formulating strategies. But the scenario is remarkably different when the business process is outsourced. Once a process is successfully outsourced, the ratio can be easily reversed. In such situations, executives get more time. This saved time helps them tremendously to explore new revenue areas, accelerate other projects and focus on their customers. This, beyond doubt, leads to productivity improvements.   
Companies that outsource their business processes are often able to capture new efficiencies and in the process improve upon their productivity. They are in a better position to reallocate their resources to other important projects. This also helps their employees to increase their efficiency and productivity. In most cases, high-caliber subject-matter experts are brought in to design and manage these processes. They bring with them increased productivity and years of experience that most companies don't have access to or can't afford on their own. Availability of highly qualified skill pool and faster adoption of well-defined business processes leads to productivity improvements without compromising on quality.

# 7. Cost Savings: One of the most important benefits and advantages of outsourcing the business processes is in terms of cost savings. The companies that outsource their work have the access to the best of talent and expertise in the BPO field and that too at very low wages. Various studies have indicated that for every one dollar invested in BPOs across India, the value derived by the US economy is between $12-14. This is what makes the outsourcing to India an irreversible process. It is a reality that the companies which have shifted their BPO work to India have garnered savings of around 40-50% till now.

# 8. Improved HR: Improved HR is another great advantage of outsourcing business processes. Several market studies have shown that HR outsourcing can lead to cost savings in the range of 20-40 percent for customers. It also leads to improved HR. HR Business Process Outsourcing (HR BPO) is a market that has experienced substantial growth over the past few years and is now set for even more rapid expansion. This is based on the fact that gradually more companies are looking at outsourcing transactions and processes to create a more strategically focused HR function.

# 9. Increase in Capabilities: Apart from other advantages, business process outsourcing has another big advantage which leads to increase in capabilities of the employees and the company. With this know-how increased capabilities can be seen. In addition to doing things more efficiently, employees can expand their ability to deliver new products and services to their customers. Then there are the factors of scalability and scope.

## BPO Business Models

Over the years, different models have been used for conducting business in BPO. The regular outsourcing models of on-shoring, near-shoring and offshoring are seen in BPO as well. TPI, a sourcing advisory, has observed that in addition to on-shoring, near-shoring and offshoring, BPO operations are also conducted through the following three [business models](http://www.xicom.biz/pdf/market_research.pdf):

• **Transactional BPO:**Transactional BPO handles one aspect of a process only. The customer has to carry out a significant part of the process in-house and hence the customer owns the risk of the process. Also, outsourcing many aspects of the process in a transactional mode leads to complex fragmentation which can pose as a threat to productive delivery.

•  **Niche BPO:**A niche BPO carries out 3-4 aspects of a process. A niche BPO, which also makes certain investments in the customer's process, aims at improving the efficiency of the process. The vendor in a niche BPO works in close coordination with the buyer, sometimes seeking the services of the customer's employees. Both the vendor and the buyer share the risk of the process.

• **Comprehensive BPO:**A comprehensive BPO handles both transactional and administrative tasks in a process and takes 70 percent responsibility of the output. The vendor purchases the buyer's assets and also hires most of its employees. Comprehensive BPO has bulk deals lasting for 7-10 years.

## BPO Drivers and Inhibitors

The [advantages offered by outsourcing](http://www.tutorial-reports.com/business/outsourcing/advantages.php) in general are valid for BPO as well, and these advantages act as internal drivers for BPO. In addition to these internal drivers, companies are lured to choose the BPO option due to the following external drivers:

* **Robust IT and telecommunications infrastructure**: The developments in IT and telecommunications infrastructure has enabled companies to transfer data to any place in the world instantaneously at very little cost. This infrastructure also allows them to increase their ROI and shareholder value.
* **Pressure to lower costs:** Companies are facing huge competition from their competitors to provide better services, and at the same time lower their costs. Companies are constantly innovating the way they are conducting businesses and BPO allows them to partner with external specialized vendors for efficient operations. Offshore BPO is cheaper than onshore BPO and many companies are now moving their operations to offshore locations, [India being the most preferred destination.](http://www.tutorial-reports.com/business/outsourcing/india/report.php)
* **Little infrastructure for automation:** The IT revolution has not achieved success in automating business processes and most of the business processes still need human labor for productive delivery. In such a scenario, resorting to BPO, which provides human labor at a lower cost, enables companies to maximize their ROI.

The perceived [risks of outsourcing](http://www.progeon.com/040604_Fourletter.pdf)act as a big inhibitor for BPO. Some of these risks have been described below:

* **Loss of control:** Companies perceive the risk of losing control over the operations of their processes. Also, if the (trained) employees in the vendor firm leave the job, the buyer may be at risk.
* **Financial instability of the vendor**: If the vendor becomes financially unstable in some years, the buyer will have to search another vendor; the operations being at risk, if it does not search the new vendor fast.
* **Loss of expertise:** Customers may lose the expertise and knowledge of carrying out the outsourced processes with time.
* **Data security:** Data confidential to the customer may be prone to theft if the vendor firm does not have stringent security policies.

**EVOLUTION OF BUSINESS PROCESS OUTSOURCING IN INDIA**

Indian became a prominent destination for [**outsourcing**](http://www.tutorial-reports.com/business/outsourcing/basics.php) in the services sector in the 1990s. Outsourcing to India started with the IT industry, which has responded to the changing market requirements by increasing the scale of operations and capability to handle complexity. The Indian software industry, according to Kris Gopalakrishnan, COO, Infosys Technologies Limited, has gone through the following four stages of development:

1. **1970s to early 1990s**: There was a shortage of skills and cost was the prime driver for outsourcing to India. Companies focused on expanding their skill sets during this period.
2. **1994 to 1998**: This was the most crucial time for IT outsourcing in India. The post liberalization reforms helped already existing companies speed up expansion. New companies also got support in the form of incentives from the government. The important tasks outsourced to India during this period were medium and large application projects on legacy migration and enterprise wide IT and problems related to Y2K syndrome. Companies focused on acquiring diverse skills and execution capabilities, along with achieving client delight trough productive and quality delivery of projects.
3. **1999 to 2001**: While projects related to Y2K syndrome were outsourced on a large scale to India, companies started acquiring additional competence especially in enterprise resource planning and customer relationship management during this stage. The industry gave importance to a variety of business aspects such as achieve excellence in quality of output delivered, making investments in R&D, ensuring business continuity and financial stability, gaining world-class project management capabilities, expanding services to IT consulting by gaining domain skills and developing infrastructure for further growth.
4. **2001 to present**: The industry now caters to large application development and maintenance needs of corporate across the world. Indian companies chalk out IT strategies for large corporations, and focus on providing end-to-end solutions. Indian companies are now in the process of aggressively gaining expertise for carrying out high end work such as R&D, architecture and business integration.

[**BPO**](http://www.tutorial-reports.com/business/outsourcing/bpo/report.php) in India has grown rapidly as compared to software services as the advantages offered by the country (low cost and abundant talent pool) were well known and tested in IT outsourcing. Most of the infrastructure required was already in place and companies needed to set the processes right to get BPO going in India. According to Mohanbir Sawhney, Professor, Kellogg School of Management, [**evolution of BPO in India**](http://www.wipro.com/strategym/chicago/Agenda.pdf) has witnessed three prominent phases. These waves are:

1. Large multinational companies set up their captive centers in the country. American Express, GE and Citibank were among the pioneers which were followed by numerous banks, financial services, manufacturing companies, etc. These companies performed their back-office operations and customer services through these offshore captive centers.
2. The captive centers were followed by the establishment of start-up BPO operations by experienced professionals. Such companies were often backed by venture capital.
3. IT majors such as IBM ventured into Indian BPO market to tap the opportunity. These companies had experience in managing offshore IT operations which helped them in gaining an easy entry into the BPO market.

Growing at more than 35 percent over the past three years, BPO is the fastest growing segment of the overall offshore market3, and is currently estimated at US$ 26-29 billion. While labour arbitrage has been a key driver for this growth, other factors such as access to talent, service quality, productivity, and time-to-market have gained importance.

The Indian BPO industry’s growth and increasing maturity is reflected across multiple dimensions. In just over a decade, the industry has grown to reach nearly US$ 11 billion4 in export revenues, employs more than 700,000 people, and accounts for more than 35 percent of the worldwide BPO market. This growth has been driven by 1) accelerated adoption by buyers of different sizes, from across industry verticals and geographies, and 2) rapidly evolving supply-side maturity across service segments. This is reflected in widening service portfolio, increased scope of services, greater penetration across vertical and geographic markets served, evolution of business and engagement models, and development of global delivery capabilities by the Indian BPO industry.

Most horizontal BPO5segments (e.g., Customer Interaction and Support6, Finance & Accounting, Human Resources, Procurement Services, and Knowledge Services) have matured significantly and account for more than 70 percent of the Indian BPO industry

**DESTINATION OF BPO**

Throughout Asia as well as globally, India and the Philippines have both been popular destinations for business process outsourcing (BPO) by global companies. And a recent report by consulting firm[**Tholons**](http://www.tholons.com/) shows that this remains to be so.

In its ranking of [**the top 100 outsourcing destinations**](http://www.tholons.com/nl_pdf/Whitepaper_December_2013.pdf)**,** Tholons’ report shows that the world’s top eight outsourcing cities are located in India and the Philippines. Bangalore remains unmoved at the top, while Manila follows at the number two spot, overtaking Mumbai when compared to earlier studies. Of the top eight locations, six are in India while two – Manila and Cebu – are located in the Philippines.



One of India’s advantages in the BPO sector is its market size, which towers over that of the Philippines. India had [**2.8 million citizens**](http://www.nasscom.in/indian-itbpo-sector-revenue-estimated-cross-usd-100-billion-mark)**e**mployed in the BPO industry as of 2012, while the Philippines had just [**around 750,000**](http://manilastandardtoday.com/2013/02/05/bpo-jobs-to-hit-1m/) in the same year.

Looking forward, India’s information technology industry body [NASSCOM](http://www.nasscom.in/) anticipates that the sector will generate [$50 billion in evenue by 2020](http://articles.timesofindia.indiatimes.com/2013-06-27/outsourcing/40231843_1_wns-global-services-bpo-sector-mohit-thukral). Meanwhile, the Philippines [is aiming for $27.4 billion in revenue by 2016](http://www.abs-cbnnews.com/business/05/12/12/it-bpo-sector-sees-274-b-revenues-16).

**More BPO cities in the Philippines**

As we recently [**noted recently**](https://www.techinasia.com/companies-choosing-philippines-india-outsourcing-services/) that a number of companies choose the Philippines as an outsourcing destination due to a factors such as infrastructure and government support.

Adapting to the growth of the sector in the Philippines, the country has already identified[**10 cities**](http://www.philstar.com/business/2012/12/11/884494/bpap-dost-tag-10-next-wave-cities-it-bpo) that it aims to develop as hubs for outsourcing. Some of these cities appear on the Tholons ranking. Davao is at 69th on the list, up one spot from last year; Metro Laguna up two spots from 84th to 82nd, and Bacolod from 94th to 93. Ilo-ilo is at 95, two spots lower than last year.

India currently has 15 cities on the list overall.

**China a potential new player**

Apart from India and the Philippines, the Philippines’ Information Technology and Business Process Association of the Philippines (IBPAP) last year saw that [**China is also emerging as an outsourcing destination**](http://www.gmanetwork.com/news/story/319684/economy/business/phl-bpo-industry-gears-up-as-it-faces-threat-from-china)**.** Indeed, Shanghai, Beijing, Dalian and Shenzhen are ranked 11th, 12th, 14th and 15th respectively this year. Shanghai and Beijing’s rankings remained the same as those of last year, while Dalian and Shenzhen switched spots.

This indicate that China’s position in the BPO sector remains intact and might grow in the coming years. India might also see China’s rise in BPO as a threat to **the growth to its own BPO sector,** as its share of the global BPO market decreased 10 percent last year.

**Take a look at the top 10 BPO hotspots...**

**India  
Rank: 1**  
Score: 6.49

Offshoring to India remains a high attractive proposition for many companies, notes the study.

One advantage of tier 3 cities is the relative affordability of real estate as facilities in Nagpur and Ahmedabad are 25 per cent to 30 per cent cheaper than Kolkata and Delhi, the report said.

"While India and the Philippines are still top of mind when it comes to offshoring, the hunt for new talent is now taking companies beyond these countries' capitals and major cites to tier 3 locations such as Surat, Nagpur, and Lucknow in India and Bacolod and Iloilo City in the Philippines," said Nikolai Dobberstien, partner with A T Kearney's Communications, Media and Technology practice.

**China  
Rank: 2**  
Score: 6.49  
  
China is fast catching up with India by building on educational skills and governance.

"Even though the top six or seven countries are landing in the same order this year as 2014, looking forward, this could all change radically because the very nature of what's being outsourced is changing," said Arjun Sethi, global leader of A T Kearney's strategic IT practice.

**Malaysia  
Rank: 3**  
Score: 6.05

Malaysia has a steady score in financial attractiveness, people skills and availability and business environment.

**Brazil  
Rank: 4**  
Score: 6.00  
Brazil has jumped 4 places in the index due to its currency devaluation.

**Indonesia Rank: 5** Score: 5.99

One of the world’s most promising destinations in the world, Indonesia has a talented workforce, good financial profile and infrastructure.

**Thailand Rank: 6** Score: 5.92

Thailand has an educated population and scores high on financial attractiveness.

**Philippines Rank: 7** Score: 5.88

Philippines has scored high on infrastructure, environment and tax and regulatory costs.

**Mexico Rank: 8** Score: 5.87

Mexico has moved down by 4 places to be at the 8th rank. The country scores higher in financial attractiveness.

**Chile  Rank: 9** Score: 5.72  
Chile has moved up by 4 ranks to 9th rank in 2016.   
It scores well on business environment and has a robust education system.

**Poland  Rank: 10** Score: 5.68  
Poland moved into the top 10 this year with good improvement in compensation costs.

**Home growth**  
According to Nasscom Strategic Review 2012, the domestic IT-BPO market is expected to grow 17 per cent to reach Rs 91,800 crore in FY2012. The domestic BPO market is expected to reach Rs 14,900 crore, driven by demand from voice-based services (local languages) and increased adoption by both traditional and emerging verticals, including the government.

Call centres, BFSI (banking, financial services and accounting) and telecom will provide a $43-47 bn addressable opportunity for the Indian IT-BPO sector in the domestic market till 2020, according to Nasscom Perspective 2020, a study conducted by Nasscom and McKinsey. It predicts call centre demand to have a compounded annual growth rate of 11 per cent till 2020.

“There is also the telecom story. With the penetration of telecom in the hinterlands, customer support is now being delivered from tier-III centres. It not only saves cost for the company, but also enhances customer experience,” said AmneetSingh,VP, Everest Group. Companies prefer to serve the local market with services in the local dialect and accent. A lot of media companies are looking at content in regional languages, according to Zinnov Consulting.

**TOP COMPANIES IN INDIA**

|  |  |
| --- | --- |
| **S.No** | **Company Name** |
| 1 | Genpact India Pvt. Ltd. |
| 2 | Tata Consultancy Services BPO |
| 3 | WNS Global Services (P) Ltd |
| 4 | Aegis Ltd |
| 5 | Wipro BPO |
| 6 | Firstsource Solutions Ltd. |
| 7 | Infosys BPO |
| 8 | Aditya Birla Minacs Worldwide Ltd. |
| 9 | exl Service.com (India) Pvt Ltd |
| 10 | Hinduja Global Solutions Ltd |
| 11 | Intelenet Global Services Ltd |
| 12 | HCL Technologies Ltd. - Business Services. |
| 13 | HOV Services Ltd |
| **S.No** | **Company Name** |
| 14 | 3i Infotech Ltd |
| 15 | Mphasis Ltd |

Moving to smaller cities will also allow companies to get better margins. Indian clients are price-sensitive; besides, firms will not have benefit of labour arbitrage as they have in global sourcing or exports. Analysts note domestic pricing per FTE (full-time equivalent, a workload measure) is almost half that in the export segment, leading to lower margins. More, margins are further impacted due to service tax on domestic revenue.

Among challenges it is again the people factor that is topmost. Finding senior management prepared to move to these small cities is difficult. “There’s a shortage of competent managers to supervise the processes; senior experienced managers are reluctant to move to smaller cities. More, the physical infrastructure is evolving," added Sridhar.

Murugesh also points to the unavailability of reliable and fast network connectivity in rural areas as a challenge. “IT/ITeS operations demand a high level of real time connectivity with many parts of the world. We believe all these obstacles can be overcome through a structured and a scientifically designed methodology,” he said.

**OFFSHORING MEANING**

**Offshoring** is the relocation of a business process from one country to another—typically an operational process, such as manufacturing, or supporting processes, such as accounting. Typically this refers to a company business, although state governments may also employ offshoring. More recently, offshoring has been associated primarily with the outsourcing of technical and administrative services supporting domestic and global operations from outside the home country ("offshore outsourcing"), by means of internal (captive) or external (outsourcing) delivery models.

The term is in use in several distinct but closely related ways. It is sometimes used broadly to include substitution of a service from any foreign source for a service formerly produced internally to the firm. In other cases, only imported services from subsidiaries or other closely related suppliers are included. A further complication is that intermediate goods, such as partially completed computers, are not consistently included in the scope of the term.

Offshoring can be seen in the context of either production offshoring or services offshoring. After its accession to the World Trade Organization (WTO) in 2001, the People's Republic of China emerged as a prominent destination for production offshoring. Another focus area has been the software industry as part of global software development and developing global information systems. After technical progress in telecommunications improved the possibilities of trade in services, India became a country leading in this domain, though many parts of the world are now emerging as offshore destinations.

The economic logic is to reduce costs, sometimes called labor arbitrage, to improve corporate profitability. Jobs are added in the destination country providing the goods or services (generally a lower-cost labor country), but are subtracted in the higher-cost labor country. The increased safety net costs of the unemployed may be absorbed by the government (taxpayers) in the high-cost country or by the company doing the offshoring. Europe experienced less offshoring than the United States due to policies that applied more costs to corporations and cultural barriers.[[4]](https://en.wikipedia.org/wiki/Offshoring#cite_note-economist.com-4)

ADVANTAGES OF OFFSHORING

* 1. Economies of scale
  2. Close collaborations
  3. Favourable Government policies
  4. Reduces cost of operations
  5. Improves productivity
  6. Increases flexibility

## Advantages of outsourcing

**1. Reduces Cost of Operations**

The cost of hiring an external agency or a third party service provider is lower than setting up in-house operations for a number of reasons:

* An external agency is a separate entity; it is an enterprise that is responsible for its own cost of operations.
* An external agency has the experience to get the job done according to expectation. If you create an in-house department, you will have to invest in the infrastructure and hire the right talent.
* An external agency does not need additional training expenses. An orientation or overview of the project may be required. But if you put up an in-house agency, you will have to invest in training, research and development.

**2. Improves Productivity**

By outsourcing select business processes you can improve productivity because your company can focus its resources on its core functions.

The cost savings from outsourcing can be repurposed to fund revenue- generating programs of the company. For example, the cost savings can be used to improve business infrastructure or enhance its marketing and promotional program.

**3. Increases Flexibility**

A company can increase its flexibility with outsourcing by taking advantage of time zone differentials. By simply adjusting work shifts, it is possible to have your business managed for 16 hours by an external agency.

**1. Economies of Scale**

When a company sets up office or a factory abroad, it is not just capitalizing on comparative cost advantages on labor but also on existing economies of scale.

Other cost items such as power, Internet connectivity, rent may be lower in the host country than the country of origin. In fact, the expectation of most companies that offshore is to realize at least a cost savings of 70%.

A company can also take advantage of the comparative cost advantages by diversifying positions or negotiating for volume discounts when purchasing assets or services.

**2. Close Collaboration**

Offshoring gives the company greater control through closer physical collaboration.

Shared space collaboration has the advantage of overseeing the conduct of work without the filters or delays associated with technology. While there are software programs that allow clients to view the work of its outsourcing partner, latency issues with the terminating carrier can compromise the benefits of real time analytics.

**3. Favorable Government Policies**

There are some governments that grant special exemptions and incentives to companies that invest in their economy.

These include tax exemptions and access to cheap credit which could improve the bottom- line of the business.

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**UNIT-II**

**Career-opportunities in the BPO industry**

**Introduction:**

## BPO is one of the most rapidly growing industries in the world today. Though it is not an industry, it includes various sub activities of many main stream industries such as manufacturing, trading, marketing, banking, insurance and financial services. Since it works in all these industries, it has been treated as separate industry.BPO helps companies to focus on their core activities and outsource other function i.e. non- core activities or process to outside service providers. This provides cost advantage for all parties involved in the transaction and generates great employment opportunities.

**Facts about the Indian BPO industry**

The Indian BPO sector is said to have reached about 54% in revenue and is one of the biggest job providing sectors. The BPO sector employs’s around 1.1 million people. Indian BOP handle over 56% of world’s outsourcing. Career growth in BPO industry is higher compared to other industries.

**Building a career in the BPO industry**

**Some of the job avenues that present day BPO industry offers are given below:**

* Online Marketing
* Online Content Development
* Web and Software Development`
* Analytics
* E-Commerce

**Structure of BPO industry**

An understanding of the organizational structure of a typical BPO company will give a fair idea about people being recruited by the BPO.

The employee of BPO employees can be very broadly classified two categories:

1. Production / operations staff

2. Support staff

1 Production / operations staff: This category consists of employees who are actually engaged in executing the processes for the customer. They are ‘”revenue earners” doing work for the company. They are the equivalent of “production” workers in a traditional manufacturing company. These employees are also known as “billable ’’ employees.

2 support and managerial staff: Support staffs are the employees who are required to support the production function the task performed by the support staff range from technology, human resources, administrative jobs, housekeeping and other jobs that directly or indirectly help the production staff to perform at their best.

**Why people prefer to join BPO companies?**

1 Did not get a better job

2 Find nothing better opportunities

3 Education level does not matter much to get a job in a BPO company

4 Good working environments

5 Good benefits

6 Flexibility of time

7 Attractive life style

8 Transport facilities from residence to workplace and back

**Why people leave BPO companies?**

1 No growth opportunity/ lack of promotion

2 For higher salary

3 For higher education

4 Misguidance from the company

**Skill needed for outsourcing fields :**

|  |  |
| --- | --- |
| **Segments** | **Skills( for entry level employees)\_** |
| Contact centre | Good communication and language skills, understanding of accents of customer, team leadership, basic computing skills |
| Remote customer interaction | Language and understanding of accents |
| Data search, integration | Computing , language and analytical skills |
| Human resource services | Country specific HR policies, rules and regulations |
| Remote education and learning | Subject knowledge, computing and language skills |
| Medical transcription | Language understanding, basic computing and understanding of various medical technologies |
| Animation | Drawing and creative skills, computer graphic skills |
| Finance and accounting | International / country – specific rules |
| Market research | Understanding statistical sales and marketing concepts |
| Engineering and design | Technical and engineering and design and computing skills |

**Salaries in BPO’S**

1 Customer care representatives: RS. 8000 to RS 15000 per month

2 Team leaders: RS 17000 to RS 26000 per month

3 Managers: RS 3 lakhs to RS 5.5 lakhs per annum

4 Training heads: RS 8 lakhs to RS 12 lakhs per annum

5 Trainers: RS 2 lakhs to RS 5 lakhs per annum

Experienced professionals or professionals with B.E, BTech , CA and MBA degree are paid higher.

Salaries depend upon the expertise , work profile and experience . Apart from salaries , incentive are also given for attendance, target completion , performance etc. Sometime the incentive exceed the salaries.

**Conclusion**

At last we can say that –“career growth in the BPO industry is robust and there is a long term opportunities.

**Deen Dayal Upadhyay Kaushal Kendra**

**Study Material**

**for**

**B.Voc (BPO)**

**Semester- I**

**Nomenclature: Basic of Business Process Outsourcing**

**Paper Code: BBPO-101**

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**CONTACT CENTRES BPO**

**INTRODUCTION:**

Contact centre was earlier called as "call center" and it is another name for offshore BPO industry. Contact centre is the Numero Uno of the offshore BPO industry. Its importance in the offshore BPO industry. BPO industry is highlighted by the fact that almost 70% of the total 3,50,000 jobs in the Indian BPO industry are in Contact Centres. It is a horizontal in the sense that it is an outsourcing activity required across many different industries/organizations regardless of the business that they are engaged in or the service they provide to their end customer. For years Contact Centres or their predecessors i.e. Call Centres- were considered necessary evils and companies used to detest their activity. But the consumer revolution changed all that. Consumer became more demanding and aggressive and companies have to listen to them, reply to them and provide whatever information they wanted to double quick time. Companies then started taking customer response activities very seriously. According to studies by the Harvard Business Review US companies lose 33 percent of their customers every five years because of inadequate customer care. What was required was an ability to provide adequate support and service to the customer quickly. This support could range from answering simple enquiries about the product or service that a customer intended to buy to buy to post-sale calls for the maintenance of the product the customer had already bought. Companies then started looking at these activities as a must have offering, necessary for getting new customer, retaining existing ones or simply for achieving customer delight. Companies discovered that positive, personalized customer interaction enhances customer retention, increases the prospect of an enquiry turning into the actual sales and strengthens competitive differentiation. Further, it is definitely easier to retain an existing customer than to gain to new one. The Yankee Group has shown that the cost of gaining incremental business in an existing account is about one tenth that of acquiring a new account. Jupiter communications estimates that companies can increase their profit numbers close to 100 percent by retaining just five percent of their customers.

**WHAT IS CALL CENTRE?**

A call centre is operated through an extensive open workspace for call centre agents, with work stations that include a computer for each agent, a telephone set/headset connected to a telecom switch, and one or more supervisor stations. It can be independently operated or networked with additional centres, often linked to a corporate computer network including mainframes, microcomputers and local area networks. Increasingly, the voice and data pathways into the centre are linked through a set of new technologies called computer telephony integration. A contact centre also known as customer interaction centre is a central point of any organization from which all customer contacts are managed. Through contact centres, valuable information about company are routed to appropriate people, contacts to be tracked and data to be gathered. It is generally a part of company's customer relationship management(CRM). Today customers contact companies by telephone, email,on-line chat, fax and instant message.

In a nutshell, we can say that, A call centre is centralized office for the purpose of receiving or transmitting a large volume of requests by telephone.

**FEATURES OF CALL CENTRE:**

Call centers are created to provide an efficient way for customers to contact a company when they have questions regarding its products and services. Here are some features of call centers:

**1) TECHNOLOGY:** Currently various providers offer integrated contact center software technologies, especially in the cloud environment. A single solution provides an integrated suite of features including workforce optimization, call recording, analytics and more. There is no longer a need to work with a variety of vendors paying multiple invoices and integrating different platforms.

**2) COMMUNICATION CHANNELS:** Customers can reach out to a contact centre via a variety of communication channels: voice, chat, email and social media. This variety of channels provides customers with options and depending on their preference and what they are trying to say- allow the customer to select the most appropriate option. This expansion of channels of communication has created many challenges for organization in assuring they have the tools and staff in place to respond to each of these channels.

**3) SELF-SERVICE:** Throughout contact centre evolution, self-service has expanded with customers being able to self serve via phone, web, mobile and more. Organizations have become more aware of providing an "acceptable" customer experience, and many organizations have implemented best practices, eg., limited menu choices and customer-friendly scripts, among others-for the service experience.

**4) DATA ANALYSIS**: Now contact centers use balanced scorecards. These scorecards can be at an agent, team or department level, and display, in a single place, the results of key matrices including: service levels, quality results, first call resolution, customer satisfaction and more. The balanced scorecard attempts to balance the reporting of key matrices across the spectrum of efficiency, effectiveness and customer experience, among other things.

**DIFFERENCE BETWEEN CALL CENTRE AND BPO:**

BPO is the business that focuses on tasks, ranging from manufacturing products to providing customer care. On the other hand, a call centre is the subset of BPO and mainly focuses on telephone calls. BPO and call centre are often used interchangeable, but in reality there is a profound difference.

BPO is a business usually consists of the back office or front office operations. It is a process where number of people is working for a specific business. It is originally associated with the firm's production of goods for use or sale using labor and machines, tools, chemical and biological processing, or formulation, such as Coca Cola that outsourced large sections of its supply chain. The trend started in late eighties when business sent parts of their processes to be completed in foreign countries. It is helpful for those who are under-graduate and are not able to be employed in any company. If one has skill, he will definitely be employed in BPO. Nowadays, it has become a fashion or trend for youngsters in some countries to work in BPOs just for time pass. Data entry, call centre are some examples of BPO operations. On the other hand, call centre is the subset of BPO. It is an office which mainly focuses on telephone calls. They receive or transmit large amount of requests by telephone in which one side is a receiver and the other side is a transmitter. Its purpose is to solve queries of the customers related to the particular company, brand, etc. In addition to a call centre, a company handling letter, fax, emails or some software is known as contact centre. Its a workstation where all the employees or workers need a computer and headsets through which they will be connected to the receiver calls and will be able to answer them. The calls can be consisting of telemarketing, survey generation, customer support, taking orders, and many other functions. Thus, the call centers can be considered as BPO organization, however this is not true because there are some BPO organizations which handle their businesses through websites, and they do not need to process telephone calls on behalf of their clients.

In nutshell, we can say that:

1) BPO refers to assigning specific business processes to intermediary service providers while call center is a centrally situated office set up that receives and transmits telephonic requests.

2) Business Process Outsourcing can be of front office and back office kind, while call centre can be of six different including inbound and outbound call centre.

3) BPOs may be situated offshore while call centers are housed in office setup with individual work stations.

**TYPES OF CALL CENTRES:**

A contact/call centre supports interaction with customers over a variety of media including but not necessarily limited to telephone, email and internet chat. Here is the list of different types of contact centers:

**1) CLASSIFICATION ON THE BASIS OF WORK DONE BY AGENTS OF CALL CENTRES:**

> Inbound call centers

> Outbound call centers

**2) CLASSIFICATION ON THE BASIS OF AREA COVERED:**

> Domestic call centers

> International call centers

**3) CLASSIFICATION BASED ON WHO OWNS CALL CENTRES:**

> In-house call centers

> Outsourced call centers

**4) CLASSIFICATION ON THE BASIS OF SIZE AND MAGNITUDE OF OPERATIONS:**

> Home-based or Virtual call centers

> Small, Medium and Large call centers

**5) CLASSIFICATION ON THE BASIS OF METHOD OF COMMUNICATION:**

> Web enabled call centers

> Telephonic calls

**1) CLASSIFICATION ON THE BASIS OF WORK DONE BY AGENTS OF CALL CENTRES:**

**INBOUND CALL CENTRE:**

These types of call centre have agents who receive incoming calls from people. A very common example of this is the calls related to customer service, where customers calls on a tall free number and speak to an agent to get their complaints solved. The number of calls that inbound call centre agents receive is not fixed. The number can vary a lot and it depends on the inflow of the calls i.e. how many customers are calling up the call centre. On certain days the inflow of calls can be very high, and on other days it could be very less.

**OUTBOUND CALL CENTRES:**

The job of call centre agents in outbound call centers is to make outgoing calls to a list of people. People wrongly assume that this is always a telemarketing or sales job. That may not be always the case. e.g. Companies very often require to make outgoing calls to existing customers as well. New customers are typically out called and informed about the details of the company’s product or service. This is known as a 'Welcome Call'. Other examples of non-sale outbound calls are service related calls made for resolving earlier complaints lodged by the customers, or bill explanation calls, or collection-related calls to remind customers of due dates and pending payments.

**2) CALSSIFICATION ON THE BASIS OF AREA COVERED:**

**DOMESTIC CALL CENTRES:**

These types of call centers make and receive calls from people from within the same country. This means that at a domestic call centre in India, the agents will make or receive calls from people in India only. In a diverse country like India, there is always a need for agents who can speak varied languages, based on state and regions. So, even people who don't know English very well, can find jobs at domestic centers, and can make and receive calls in their mother tongues, be it any language such as Hindi, Marathi, Tamil or Bengali.

**INTERNATIONAL CALL CENTRES:**

These call centers have international companies as their clients. Si if a call centre based in India makes or receives international calls on behalf of an overseas clients, then it is known as an international call centre. Apart from the usual process training, these kind of international call centers also usually provide accent and culture training to their agents, so that they can understand and speak effectively with people from other countries.

**3) CLASSIFICATION BASED ON WHO OWNS CALL CENTRES:**

**IN-HOUSE CALL CENTRES:**

These are owned and operated by the company. The purpose can be to provide service to existing customers, or for making telemarketing calls to acquire new customers. The advantage of this kind of call centre is its physical proximity to the core business. This allows for better rapport between the call centre staff and the people who run the other business operations. Because of this issues can be discussed and sorted out very quickly and amicably.

**OUTSOURCED CALL CENTRES:**

This is the cheaper option used by many companies, who do not want to run their call centre in-house. So, they outsource the calling activities to a professional call centre company. The advantage is that the company does not need to hire the agents themselves and spend time and money on training them, also office space and call centre setup cost is saved. The outsourced call centre can be located within the same country, or it can be situated overseas, e.g. if a company located in Europe or America outsourced their call centre activity to a call centre located in some other country such as India, then it would be an outsourced overseas call centre operation for them.

**4) CLASSIFICATION ON THE BASIS OF SIZE AND MAGNITUDE OF OPERATIONS:**

**HOME-BASED OR VIRTUAL CALL CENTRES:**

This type of call centre is typically operated by a single person who works from home. This is not a business, but rather a work-from-home kind of job. It usually involves making outgoing calls to a list of people provided by the company, for the purpose of making service-related calls on behalf of the company or for making telemarketing calls with the intention of selling products and services. The advantage of such a home based operation for the call centre agents, is that they can work from comforts of their home, while for the company the benefit is reduction in cost incurred on out calling activities, as they do not have to spend money on hiring a office space and can also avoid employee overheads such as for food and travelling costs.

**SMALL, MEDIUM AND LARGE CALL CENTRES:**

Call centers are also categorized as small, medium or large based on the numbers of the call centre agents that it has for making or receiving calls. The size is typically measured and judged based on the number of seats, which is how many agents can make simultaneous calls at a single point in time. The small call centers are typically those which have just about 5 to 10 agents, while medium sized companies have a capacity of around 30 to 50 seats. There are also the large call centers that cater to several clients, working on several processes at a time, and can also have diversified operations such as handling domestic and international calls. There are such very large call centers that work 24 hours a day, and employ more than 500 agents working in day and night shifts. The medium sized and large call centers, generally make use of specialized software such as predictive dialers or power dialers for their outbound activities, and ACD's for their inbound calls. Other than call centre agents, there are several other kinds of jobs that people in these companies do, like network and hardware engineers, language and skill trainers, supervisors, team leaders and call centre project managers.

**5) CLASSIFICATION ON THE BASIS OF METHODS OF COMMUNICATIONS:**

**WEB-ENABLED CALL CENTRES:**

A call centre usually means a place where agents make or receive telephonic calls. But in these days of internet not all communication is on calls. Call centers that are equipped with providing support over the internet are known as 'Web-enabled call centers’. It can also happen online, in the form of real time chats on the company's website, or in the form of email communications.

**TELEPHONIC CALL CENTRES:**

Call centers that are enabled with providing support over the internet are known as 'Web enabled call centers’, while their counterparts who only speak on the telephone lines are known as 'Telephonic call centers’.

**WORKING OF A CONTACT CENTRES:**

Contact centre symbolizes all the possible activities that enable the customer to contact the company. A call centre, i.e. centre which handles telephone calls in one such method, a customer who wants to get in touch with the company can call a number of his convenience, which is then answered by the customer service agent. Other possible ways for the customer to contact a company include sending emails, or a chat on the Internet. The customer Service Agents (CSA) has to be trained before they can start interacting with the customer. The agents are given training in areas such as accent training, customer response processes and domain knowledge about the product or service about which they expect to get queries from customers/potential customers. Initially the call centers based in cheaper location such as India, Philippines, Mexico etc., handled telephonic or voice based customer enquiries, but with the advent of Internet, email and chat interactions were also used by customers. These call centers are now called contact centers due to the changed profile of the activities performed by them. Contact centers performs a number of customer-related functions such as telemarketing, order entry, billing, account maintenance, help-desk, advice, service dispatch, scheduling, collections, technical help-desk and support etc.

**CALL CENTRE TECHNOLOGY:**

A call centre operations very technology-intensive; offshore call centers especially necessitate huge investment in high technology. High technology solutions like interactive voice response (IVR), computer telephony integration (CTI), automatic call distribution (ACD), predictive dialing and sophisticated voice recording systems are necessary to perform vital functions. There is also various sophisticated software to improve CSA productivity and effectiveness. In addition there is sophisticated telecommunications infrastructure to seamlessly divert calls from toll free numbers in U.S./U.K. and make calls to international customers.

**COMPUTER TELEPHONY INTEGRATION (CTI):**

CTI has existed since the early 1980s, but has evolved a lot in sophistication of features as well as cost benefits. CTI links computing data and telephony voice. The functional integration of these technologies provides an applications platform for the enhancement of numerous business processes. The basic components of all CTI systems include a switch, a computer, a gateway between the two and CTI-capable application software.

The general benefits of CTI include:

> Better customer services like shorter handling times.

> Increased effectiveness like staff consistency in routine calls.

> Reduced costs.

> Multiple service levels.

**AUTOMATIC CALL DISTRIBUTOR (ACD):**

ACD systems are the heart of inbound call centers. An ACD is a device that distributes incoming calls to a specific group of terminals. A basic ACD system processes incoming telephone calls on a first-come-first-served basis. The system typically answers each call immediately and if necessary holds it in a queue until it can be directed to the next available terminal/CSA. When an agent becomes available the agent serves the first caller in queue. The benefit is that it improves the productivity of the call centre. It automatically delivering a call to the appropriate service representative significantly reducing customer wait time.

**INTERACTIVE VOICE RESPONSE (IVR):**

IVR is a telephony technology in which customers use a touch tone telephone to interact with a database to acquire information from or enter data into the database. IVR technology does not require human interaction with the database predetermined by what the IVR system will allow the user across to. For example, banks and credit card companies use IVR system so that the customers can receive up-to-date account information instantly and easily without having to speak directly to someone. IVR technology is also used to gather answer questions by pushing the numbers on the touch-tone telephone. This is often used as a first level mechanism to try and give as much information to the caller and solve as many queries as possible using links to the database. Only after the IVR software determines that it is unable to satisfy the caller, it automatically connects the caller to the call centre. This is used in lieu of a switchboard operator, thereby making the whole system automatic and reducing the load on the call centre itself.

**PREDICTIVE DIALING:**

This is used extensively in outbound calling. The software automatically redials outbound phone numbers at various times of the day until the call is answered. The call goes to the CSA or telemarketing executive only when the customer picks up the phone. This technology completely eliminates dialing and redialing, thereby improving productivity and smoothening the overall working of the call centre.

**RECORDING SYSTEM:**

These systems record, log and monitor inbound and outbound calls, thereby allowing call centre management to evaluate the overall performance of the call centre. Client companies also ask for a random sample of calls in order to determine the quality of work being done by call centre as also to directly understand the problems of their customers so as to figure out what are the most common problems of customers. They use this as an input in their product/service strategy.

**COMPONENTS OF A CALL CENTRE:**

There are six key components which should be integrated into the call centre operations.

> Location

>Customer

> Technology

> Process

> People

> Finance and business management.

**ISSUES AND PROBLEMS:**

Call centers are extremely people intensive; a human being is at the helm of affairs handling customers and other sensitive company information. Needless to say this brings several issues to the fore and poses several challenges to call centre management. These include:

> Setting appropriate pay scales.

> Reducing employee’s turnover

> Scheduling, rewards and the chance for advancement.

> High stress.

> Medical problems.

**CASE STUDY OF A CONTACT CENTRE COMPANY: INTEL NET GLOBAL**

**INTRODUCTION:**

With a mission that reads "To add value to our client's business by providing cost-effective premium quality customer management services and be the preferred vendor for off shored, outsourced BPO services", Intel Net Global definitely is set to go places. A joint venture between the mighty Tata Consultancy Services (TCS) and the strong Housing Development Finance Corporation (HDFC), Intel Net Global aims to deliver business process outsourcing solutions to organizations in the US, UK and Canada. Intel Net's parentage enables it to deliver scale, infrastructure and business coninuity due to its deep financial strength. TCS bring to Intel Net a vast and rich experience in executing and maintaining mission critical projects. TCS prowess in technology implementation is unchanged. And its knowhow in domain capabilities and a strong project management is invaluable. HDFC is a complete financial conglomerate in itself with proven competencies in banking, insurance, mutual funds, asset management and, of course, its core strengths, mortgage and properties. It brings to Intel Net its experience in customer management processes, bank office operations and property management.

Together TCS and HDFC provide Intel Net the tools and resources necessary for effective customer service in the respective business domains. "Over and above all this, we get to learn and implement the practice in the areas of migrating expertise, deploying technology to improve the efficiency of any project and last but not the least, operational expertise in handling a process," says Susir Kumar, the proud CEO of Intel Net. "Also, the goodwill of TCS has created outside India, domain expertise from (HDFC), and of course no anxieties about funding requirements etc, are some other advantages of belonging to such strong parents. Ours is a domain-led organization, thanks to our strong parents, that allows us to stand apart," he adds. "Intel Net's ability to offer a end to end service- from a basic service to complex task that involves decision making in its main marketing pitch."

**INFRASTRUCTURE:**

Intel Net's infrastructure is truly global and state of art. Infrastructure plays a vital role in not only getting business but also provides the ambience for high productivity and de-stress customer service agents, feels Commander H.S. Rawat, Head of Infrastructure and Administration. Apart from comfortable seating capacity with storing space, the building also has a colorful yet pleasing decor, adequate rest rooms on each floor, fun room, medical room, gymnasium, yoga room with carpets, 24-hour cafeteria that offers a wide range of food at subsidized rates, an in house concierge. The building has its own reverse osmosis plant which supplies pure filtered water to every tap in the company. Adequate security has been provided at every floor.

**ACTIVITIES:**

Intel Net Global is currently engaged in four types of activities:

* Contact centre.
* Back office processing.
* Accounting services.
* Technical help desk.

All these activities are carried out from two offices in Mumbai- at Malad (West) and Mahape (New Mumbai) -and one in Chennai (Tidel Park). Currently the company employees around 4,000 people ( in June) in all the areas put together. The target is to have 6,000 strong operation by May 2005, confides Susir Kumar. Intel Net's Unique Selling Proposition is its operational rigour, ability to transition seamlessly, strong customer interface ability, risk monitoring mechanism and the technology, he adds. The top management at Intel Net consists of a blend of people from inside the industry and outside, each bringing a unique skill to the table, making it solid and stable. Half the Board is from HDFC and half from TCS, which makes it unique, and value adding, adds Sndeep Sarawgi, Intel Net's Chief Financial Officer.

**CONTACT CENTRE OPERATION:**

The contact centre is the most vital part of the company with almost 70 percent of the staff engaged in this activity. Intel Net caters to several clients from the UK and USA. Currently, call centre operations are in the areas of banking and finance, insurance, telecommunications, hospitality, retail and travel. the 4,000-odd people ( as on June 2004) take almost 5,00,000 to 5,50,000 call a day on average making it close to 120 to 180 calls per person per day. A simple call order can take anything between 165 and 240 seconds while a technical process call takes as high as 10 minutes, while a service level agreement call takes around 9 minutes according to Shyam Krishna, Head of Operations. It is important to perform equally well in each call; since each call is broadly of the same nature, monotony creeps into the job and the fact the CSAs are constantly bombarded with calls one after the other makes the job highly stressful. Intel Net's infrastructure, employees appreciation programmes, rewards and certificates signed by the CEO himself, Hall of Fame nomination for deserving employees etc are some of the activities conducted regularly to de-stress CSAs and keep their motivation levels high.

Intel Net has implemented process re-engineering tools and techniques for high efficiency. For example, greetings are recorded in the voice of each CSA, and the recorded greeting of a particular CSA automatically starts playing when the call gets routed to him/her. The advantages are two-fold: one, the CSA gets a breather for a second that can be used to sip water etc and, two, the CSA does not have to repeat the greeting to everybody thus reducing some of the monotony of the job. This has been a formidable achievement for Intel Net. Another example is making minor alterations in the script to enable ease of operations, which automatically improves the productivity of a CSA.

Statistical analysis and data mining is done to forecast the broad number of calls to be received per day. This helps in finding out the CSA requirement and balancing the load to take care of holidays (Indian) and absenteeism. Since the processes are people driven, lack of people can lead to long call queues and call abandonment, which can be grave for the business. But according to Sean Pereira, Head of Operations, absenteeism is not really a serious issue, especially in a place like Mumbai. Moreover in a large operation, a small number of absentees does not affect work, he adds. BPO operations work on all Indian holidays and are closed only on American or British holidays. But this is not a problem since today's youth understand and appreciate that completely and are willing to work on Indian holidays. Moreover they are given compensatory offs, on low load days etc.

The business is largely, incentive-driven and there are incentive schemes for quality, quantity, attitude, number of days present, plus of course any other activity that helps the end users and hence the client. Incentives are in various forms, such as cash, reward points that can be collected and encashed at the end of the year etc. Intel Net also reward high performers with silver and gold trophies.

**ISSUES AND CHALLENGES:**

India has by now established itself as a provider of high quality contact centre services. However, it is important to watch China and Russia, which are fast emerging as possible destinations. The BPO companies quest for quality and an ability to scale up has given India a definite edge. Government support is necessary; if the government brings such services under the tax net, we may lose out as a country. Already other countries are fast catching up. The falling dollar is another issue that could directly affect the bottom-line of BPO companies.

Intel Net has a unique advantage in that sense that it is not completely dollar-dependent; it has a large number of clients from the UK and the pound is a stable currency compared to the dollar. What's important is to have complete control on the business to grow at the rate BPO companies are growing. For this one needs to have a strong MIS reporting structure in which different reports for different purposes can be created and used. Attrition is another major problem for contact centre. Intel Net has invested time and efforts to understand the reason behind attrition, and the type and profile of people who leave. The findings shows that the attrition is more to do with the attitude of people who towards hard work, shift timings, health problems etc. than with the company as such. People initially come for the glamour associated with talking to foreigners with an accent and the money, but the rigor of training and subsequently the hard work associated with the job makes them leave. Also deadlines for ramping up the tensions associated with them make poaching convenient, which is also a major cause for concern.

**TRENDS AND FUTURE:**

The benefits of outsourcing are so immense and the companies are already realizing the cost benefits without any compromise on quality or time. This makes this wave unstoppable. Resistance from managers dies down the moment they are convinced of the potential benefits of outsourcing. This makes future bright and an opportunity to have a long term career prospects for the aspirants in this industry.

**Deen Dayal Upadhyay Kaushal Kendra**

**Study Material**

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**Transaction Processing**

Consider for a moment all the events that take place on a daily basis in an organization. Let's take an electronics store as an example. A single store can easily carry 10,000 different items. Throughout the day, customers come into the store, select a product and pay for it at the checkout counter. Staff is continuously taking items from the stock room and placing them on the shelves. When the stock runs low, new shipments are ordered. Other customers come in to exchange items and deal with warranty issues.

All of these events are referred to as **transactions**, and keeping track of them requires a transaction processing system. A **transaction processing system**, or **TPS**, is a system to capture and process the detailed information necessary to update data on the fundamental operations of an organization.

A transaction is essentially a single event that changes something. There are many different types of transactions. For example, customer orders, receipts, invoices, payments, etc. The actual processing of transactions includes the collection, editing, manipulation and storage of data. The result of processing a transaction is that the records of an organization are updated to reflect the new conditions at the time of the last processed transaction.

Consider the example of the electronics store. A customer buys a video game and pays for it with cash at the register. This event is recorded as a sale transaction. However, it also triggers other transactions.

First, the amount of cash at the register has just gone up. Second, the inventory of the particular video game has gone down by one. These transactions are logically linked - they occur on the same day at the same time and involve the same item. Linking the transactions provides improved data consistency since one cannot exist without the other. The amount of cash in the register cannot go up unless some transaction makes this happen.

There are many different types of transaction processing systems, such as payroll, inventory control, order entry, accounts payable, accounts receivable and others. Transaction processing produces valuable input into many other systems in an organization, such as management information systems and decision support systems. A TPS serves as the foundation for these other systems. A TPS tracks routine operations but does not provide much support for decision making.

For example, in the case of a bank account, a TPS keeps track of all the events associated with a single account: deposits, withdrawals, transfers, fees, interest paid, etc. This provides a good description of the account activity.

Now let's say the customer comes into the bank and requests a car loan. The account activity is useful information but not enough for the bank to make a decision on the car loan. This requires combining information from different sources and analyzing the financial profile of the customer.

**Batch vs. Real-Time Processing**

There are two ways to process transactions: using batches and in real time. In a **batch processing system**, transactions are accumulated over a period of time and processed as a single unit, or batch. For example, a store may update its sales records every day after the store closes. Or, a payroll system may process all the time cards every two weeks to determine employee earnings and produce paychecks. Whatever the time period in a batch system, there is some time delay between the actual event and the processing of the transaction to update the records of the organization.

In a **real-time processing system**, transactions are processed immediately as they occur without any delay to accumulate transactions. Real-time processing is also referred to as **online transaction processing**, or **OLTP**. In this case, the records in the system always reflect the current status.

A good example of a real-time processing system would be airline ticket reservations. When you book a ticket and select a seat, that booking is made right away, and nobody else can get that same seat even a second later. Any changes you make to your reservation are also updated in real time. Another example is the stock market. When you submit an order to buy a stock, that order is processed immediately and not at the end of the day.

While real-time processing is often more efficient and in some cases necessary, batch processing may be more effective. In the case of a payroll system, there is really no need to keep track of how much an employee has earned every minute of the day and doing this every two weeks is likely sufficient.

**Types of Processing Systems**

There are a few major types of transaction processing systems, including order processing, accounting and purchasing. Order processing systems are critical to many organizations. When a customer order is received, this puts into motion a series of actions within the company: check inventory, find the physical items in the warehouse, fill the order, create an invoice and ship the order. All these individual events are tracked by a TPS.

Accounting systems track the flow of data associated with all the cash flows in an organization. For example, when the invoice is created for the customer order, this is added to the customer's account. When the invoice is paid, this information is used to update the account information. Purchasing systems support functions such as inventory control, purchase order processing, receiving and accounts payable.

**Business process outsourcing** (**BPO**) is a subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider. Originally, this was associated with manufacturing firms, such as Coca-Cola that outsourced large segments of its supply chain.

BPO is typically categorized into back office outsourcing, which includes internal business functions such as resources or finance and accounting, and front office outsourcing, which includes customer-related services such as contact centres ervices.

BPO that is contracted outside a company's country is called offshore outsourcing. BPO that is contracted to a company's neighboring (or nearby) country is called near shore outsourcing.

Often the business processes are information technology-based, and are referred to as **ITES-BPO**, where ITES stands for Information Technology Enabled Service.[[3]](https://en.wikipedia.org/wiki/Business_process_outsourcing#cite_note-NellisParker2006-3) Knowledge process outsourcing (KPO) and legal process outsourcing (LPO) are some of the sub-segments of business process outsourcing industry.

Benefits

The main advantage of any BPO is the way in which it helps increase a company's flexibility. However, several sourceshave different ways in which they perceive organizational flexibility. In early 2000s BPO was all about cost efficiency, which allowed a certain level of flexibility at the time. Due to technological advances and changes in the industry (specifically the move to more service-based rather than product-based contracts), companies who choose to outsource their back-office increasingly look for time flexibility and direct quality control.Business process outsourcing enhances the flexibility of an organization in different ways:

Most services provided by BPO vendors are offered on a fee-for-service basis, using business models such as Remote In-Sourcing or similar software development and outsourcing models. This can help a company to become more flexible by transforming fixed into [variable costs](https://en.wikipedia.org/wiki/Variable_costs). A variable cost structure helps a company responding to changes in required capacity and does not require a company to invest in assets, thereby making the company more flexible.

Another way in which BPO contributes to a company’s flexibility is that a company is able to focus on its [core competencies](https://en.wikipedia.org/wiki/Core_competencies), without being burdened by the demands of bureaucratic restraints. Key employees are herewith released from performing non-core or administrative processes and can invest more time and energy in building the firm’s core businesses. The key lies in knowing which of the main value drivers to focus on – customer intimacy, product leadership, or operational excellence. Focusing more on one of these drivers may help a company create a competitive edge.

A third way in which BPO increases organizational flexibility is by increasing the speed of business processes. Supply chain management with the effective use of supply chain partners and business process outsourcing increases the speed of several business processes, such as the throughput in the case of a manufacturing company.

Finally, flexibility is seen as a stage in the organizational life cycle: A company can maintain growth goals while avoiding standard business bottlenecks.[[13]](https://en.wikipedia.org/wiki/Business_process_outsourcing#cite_note-13) BPO therefore allows firms to retain their entrepreneurial speed and agility, which they would otherwise sacrifice in order to become efficient as they expanded. It avoids a premature internal transition from its informal entrepreneurial phase to a more bureaucratic mode of operation.

A company may be able to grow at a faster pace as it will be less constrained by large capital expenditures for people or equipment that may take years to amortize, may become outdated or turn out to be a poor match for the company over time.

Although the above-mentioned arguments favour the view that BPO increases the flexibility of organizations, management needs to be careful with the implementation of it as there are issues, which work against these advantages. Among problems, which arise in practice are: A failure to meet service levels, unclear contractual issues, changing requirements and unforeseen charges, and a dependence on the BPO which reduces flexibility. Consequently, these challenges need to be considered before a company decides to engage in business process outsourcing.

A further issue is that in many cases there is little that differentiates the BPO providers other than size. They often provide similar services, have similar geographic footprints, leverage similar technology stacks, and have similar Quality Improvement approaches.

**Threats**

Risk is the major drawback with business process outsourcing. Outsourcing of an information system, for example, can cause security risks both from a communication and from a privacy perspective. For example, security of North American or European company data is more difficult to maintain when accessed or controlled in other countries. From a knowledge perspective, a changing attitude in employees, underestimation of running costs and the major risk of losing independence, outsourcing leads to a different relationship between an organization and its contractor

Risks and threats of outsourcing must therefore be managed, to achieve any benefits. In order to manage outsourcing in a structured way, maximising positive outcome, minimising risks and avoiding any threats, a [business continuity management](https://en.wikipedia.org/wiki/Business_continuity_management)(BCM) model is set up. BCM consists of a set of steps, to successfully identify, manage and control the business processes that are, or can be outsourced.[[19]](https://en.wikipedia.org/wiki/Business_process_outsourcing#cite_note-19)

Another framework, more focused on the identification process of potential outsource able information systems, identified as [AHP](https://en.wikipedia.org/wiki/Analytic_hierarchy_process), is explained.L. Willcocks, M. Lacity and G. Fitzgerald identify several contracting problems companies face, ranging from unclear contract formatting, to a lack of understanding of technical IT processes.[

**Technological pressures**

Industry analysts have identified [robotic process automation](https://en.wikipedia.org/wiki/Robotic_process_automation) (RPA) software as a potential threat to the industry and speculate as to the likely long term impact. In the short term, however, there is likely to be little impact as existing contracts run their course: it is only reasonable to expect demand for cost efficiency and innovation to result in transformative changes at the point of contract renewals. With the average length of a BPO contract being 5 years or more[and many contracts being longer - this hypothesis will take some time to play out.

On the other hand, an academic study [by the [London School of Economics](https://en.wikipedia.org/wiki/London_School_of_Economics) was at pains to counter the so-called "myth" that RPA will bring back many jobs from offshore. One possible argument behind such an assertion is that new technology provides new opportunities for increased quality, reliability, scalability and cost control, thus enabling BPO providers to increasingly compete on an outcomes based model rather than competing on cost alone. With the core offering potentially changing from a "lift and shift" approach based on fixed costs to a more qualitative, service based and outcomes-based model, there is perhaps a new opportunity to grow the BPO industry with a new offering.

**Industry size**

India has revenues of US$10.9 billion from offshore BPO and $30 billion from IT and total BPO (expected in FY 2008). India thus has some 5-6% share of the total BPO Industry, but a commanding 63% share of the offshore component. This 63% is a drop from the 70% offshore share that India enjoyed last year: despite the industry growing 38% in India last year, other locations like [Philippines](https://en.wikipedia.org/wiki/Philippines), [South Africa](https://en.wikipedia.org/wiki/South_Africa), and even Kenya[[27]](https://en.wikipedia.org/wiki/Business_process_outsourcing#cite_note-27) have emerged to take a share of the market. There are 865 firms in the BPO/BPM sector in India as of March 31, 2014, with 0.97 million workers with revenue of US$ 20 billion. By the year 2016, the BPO Industry in the [Philippines](https://en.wikipedia.org/wiki/Philippines) will employ 1.2 million workers with $25 billion in revenues. The South African call centre industry has grown by approximately 8% per year since 2003 and it directly employs about 54,000 people, contributing 0.92% to South Africa's [gross domestic product](https://en.wikipedia.org/wiki/Gross_domestic_product) (GDP)[.[China](https://en.wikipedia.org/wiki/China) is also trying to grow from a very small base in this industry. However, while the BPO industry is expected to continue to grow in India, its market share of the offshore piece is expected to decline. Important centers in [India](https://en.wikipedia.org/wiki/India) are [Coimbatore](https://en.wikipedia.org/wiki/Coimbatore), [Bangalore](https://en.wikipedia.org/wiki/Bangalore), [Gurgaon](https://en.wikipedia.org/wiki/Gurgaon), [Chennai](https://en.wikipedia.org/wiki/Chennai), [Kolkata](https://en.wikipedia.org/wiki/Kolkata), [Mumbai](https://en.wikipedia.org/wiki/Mumbai), [Pune](https://en.wikipedia.org/wiki/Pune), and [New Delhi](https://en.wikipedia.org/wiki/New_Delhi).

The [Association of Southeast Asian Nations](https://en.wikipedia.org/wiki/Association_of_Southeast_Asian_Nations) (ASEAN) countries, along with the People's Republic of China and India—known collectively as ACI countries—are likely to see services like BPO figure strongly in their economies over the medium term. Services trade among ACI countries has been growing at a very rapid rate over recent years, despite starting from a relatively low baseline. Although data are scarce and must be interpreted with caution, an analysis of applied services sector policies in the region suggests there is much policymaker can do to intensify this process, and increase the pace at which the transformation to a service economy is taking place.

[Eastern Europe](https://en.wikipedia.org/wiki/Eastern_Europe) is also an emerging BPO destination. [McKinsey & Company](https://en.wikipedia.org/wiki/McKinsey_%26_Company) reported that in 2010, 33,000 jobs were moved to Eastern European countries. While the overall size of the industry and the number of developers in Eastern Europe is lower than India, the knowledge of European languages like French, Spanish, German, and Italian by many Eastern Europeans, as well as the overall high quality of education in these locations, allows the BPO industry in this region to continue to grow. For example, the region has an estimated 17.2 million people with a tertiary education, compared to 13.6 million in India, making it an attractive choice for BPO, especially if more specialized projects are to be outsourced.

**Banking business process outsourcing** or **banking BPO** is a highly specialized sourcing strategy used by [banks](https://en.wikipedia.org/wiki/Bank) and lending institutions to support the business acquisition and account servicing activities associated with the customer lending lifecycle. These specific BPO services are usually offered through multi-year [service-level agreements](https://en.wikipedia.org/wiki/Service-level_agreements) for all or portions of the [credit card lending](https://en.wikipedia.org/w/index.php?title=Credit_card_lending&action=edit&redlink=1), [consumer lending](https://en.wikipedia.org/wiki/Consumer_lending) or [commercial lending](https://en.wikipedia.org/w/index.php?title=Commercial_lending&action=edit&redlink=1) segments of the financial services market. Some larger financial services organizations choose to extend their sourcing strategy to include other outsourced services such as [ITO](https://en.wikipedia.org/wiki/Information_Technology_Outsourcing) systems and software, [human resources outsourcing](https://en.wikipedia.org/w/index.php?title=Human_resources_outsourcing&action=edit&redlink=1) and benefits services, [finance and accounting outsourcing](https://en.wikipedia.org/w/index.php?title=Finance_and_accounting_outsourcing&action=edit&redlink=1) (FAO) services, procurement or [training outsourcing](https://en.wikipedia.org/w/index.php?title=Training_outsourcing&action=edit&redlink=1).

Banking BPO services are typically defined by industry analysts, advisors and leaders in the sourcing industry, such as the set of discrete processes or transactional activities that support the lending lifecycle as follows:

* **New customer acquisition services** include [telemarketing](https://en.wikipedia.org/wiki/Telemarketing) activities, application processing, [underwriting](https://en.wikipedia.org/wiki/Underwriting), customer or merchant credit evaluation and verification, credit approval, [document processing](https://en.wikipedia.org/wiki/Document_processing), account opening and [customer care](https://en.wikipedia.org/wiki/Customer_care) and on-boarding.
* **Account servicing processes** for [credit cards](https://en.wikipedia.org/wiki/Credit_cards) or [consumer loans](https://en.wikipedia.org/wiki/Consumer_loan). These most commonly include payment processing systems and services, customer service or [call center](https://en.wikipedia.org/wiki/Call_center) support operations (voice, digital, email and mail services), product renewals, and loan disbursement; [document management](https://en.wikipedia.org/wiki/Document_management) services such as printing and mailing of statements, networked printing and storage solutions; [collections](https://en.wikipedia.org/wiki/Collection_(payment)), recoveries processing, default management, risk management and [foreclosure](https://en.wikipedia.org/wiki/Foreclosure).
* **Consumer and commercial lending** post origination transaction processing services, such as check processing, clearance and settlement services, [remittance](https://en.wikipedia.org/wiki/Remittance), and [records management](https://en.wikipedia.org/wiki/Records_management).
* **Back office transaction process management** for loans or credit card portfolios, including custody services, [fraud](https://en.wikipedia.org/wiki/Fraud) mitigation and detection, regulatory and program [compliance](https://en.wikipedia.org/wiki/Compliance_(regulation)), portfolio [analytics](https://en.wikipedia.org/wiki/Analytics), reporting, conversions, management of technology platforms, interface for customer data and custom development.

Financial service is part of financial system that provides different types of finance through various credit instruments, financial products and services.

In financial instruments, we come across cheques, bills, promissory notes, debt instruments, letter of credit, etc.

In financial products, we come across different types of mutual funds. Extending various types of investment opportunities, in addition, there are also products such as credit cards, debit cards, etc.

In services we have leasing, [factoring](https://accountlearning.com/factoring-in-small-business/), [hire purchase finance](https://accountlearning.com/status-of-hire-purchase-in-india/) etc., through which various types of assets can be acquired either for ownership or on lease. There are [different types of leases](https://accountlearning.com/different-types-of-leases/) as well as factoring too.

Thus, financial services enable the user to obtain any asset on credit, according to his convenience and at a reasonable interest rate.

**Importance of Financial services**

It is the presence of financial services that enables a country to improve its economic condition whereby there is more production in all the sectors leading to economic growth.

The benefit of economic growth is reflected on the people in the form of economic prosperity wherein the individual enjoys higher standard of living. It is here the financial services enable an individual to acquire or obtain various consumer products through hire purchase. In the process, there are a number of financial institutions which also earn profits. The presence of these financial institutions promotes investment, production, saving etc.

Hence, we can bring out the importance of financial services in the following points:

**Importance of Financial Services**

* Vibrant Capital Market.
* Expands activities of financial markets.
* Benefits of Government.
* Economic Development.
* Economic Growth.
* Ensures Greater Yield.
* Maximizes Returns.
* Minimizes Risks.
* Promotes Savings.
* Promotes Investments.
* Balanced Regional Development.
* Promotion of Domestic & Foreign Trade.

**1. Promoting investment**

The presence of financial services creates more demand for products and the producer, in order to meet the demand from the consumer goes for more investment. At this stage, the financial services comes to the rescue of the investor such as merchant banker through the new issue market, enabling the producer to raise capital.

The stock market helps in mobilizing more funds by the investor. Investments from abroad is attracted. Factoring and leasing companies, both domestic and foreign enable the producer not only to sell the products but also to acquire modern machinery/technology for further production.

**2. Promoting savings**

Financial services such as [mutual funds](https://accountlearning.com/mutual-funds-need-and-benefits/) provide ample opportunity for different types of saving. In fact, different types of investment options are made available for the convenience of pensioners as well as aged people so that they can be assured of a reasonable return on investment without many risks.

For people interested in the growth of their savings, various reinvestment opportunities are provided. The laws enacted by the government regulate the working of various financial services in such a way that the interests of the public who save through these financial institutions are highly protected.

**Financial Services offered by various financial institutions**

* Factoring.
* Leasing.
* Forfaiting.
* Hire Purchase Finance.
* Credit card.
* [Merchant Banking](https://accountlearning.com/merchant-banking-meaning-sebi-regulations-conditions/).
* Book Building.
* Asset Liability Management.
* Housing Finance.
* Portfolio Finance.
* [Underwriting](https://accountlearning.com/underwriting-meaning-importance-types-sebi-guidelines/).
* [Credit Rating](https://accountlearning.com/credit-rating-meaning-various-benefits/).
* Interest & Credit Swap.
* Mutual Fund.

**3. Minimizing the risks**

The risks of both financial services as well as producers are minimized by the presence of insurance companies. Various types of risks are covered which not only offer protection from the fluctuating business conditions but also from risks caused by natural calamities.

Insurance is not only a source of finance but also a source of savings, besides minimizing the risks. Taking this aspect into account, the government has not only privatized the life insurance but also set up a regulatory authority for the insurance companies known as IRDA, 1999 (Insurance Regulatory and Development Authority).

### 4. Maximizing the Returns

The presence of financial services enables businessmen to maximize their returns. This is possible due to the availability of credit at a reasonable rate. Producers can avail various types of credit facilities for acquiring assets. In certain cases, they can even go for leasing of certain assets of very high value.

Factoring companies enable the seller as well as producer to increase their turnover which also increases the profit. Even under stiff competition, the producers will be in a position to sell their products at a low margin. With a higher turnover of stocks, they are able to maximize their return.

### 5. Ensures greater Yield

As seen already, there is a subtle difference between return and yield. It is the yield which attracts more producers to enter the market and increase their production to meet the demands of the consumer. The financial services enable the producer to not only earn more profits but also maximize their wealth.

Financial services enhance their goodwill and induce them to go in for diversification. The stock market and the different market provide ample opportunities to get a higher yield for the investor.

### 6. Economic growth

The development of all the sectors is essential for the development of the economy. The financial services ensure equal distribution of funds to all the three sectors namely, primary, secondary and tertiary so that activities are spread over in a balanced manner in all the three sectors. This brings in a balanced growth of the economy as a result of which employment opportunities are improved.

The tertiary or service sector not only grows and this growth is an important sign of development of any economy. In a well developed country, service sector plays a major role and it contributes more to the economy than the other two sectors.

### 7. Economic development

Financial services enable the consumers to obtain different types of products and services by which they can improve their standard of living. Purchase of car, house and other essential as well as luxurious items is made possible through hire purchase, leasing and housing finance companies. Thus, the consumer is compelled to save while he enjoys the benefits of the assets which he has acquired with the help of financial services.

### 8. Benefit to Government

The presence of financial services enables the government to raise both short-term and long-term funds to meet both revenue and capital expenditure. Through the money market, government raises short term funds by the issue of Treasury Bills. These are purchased by commercial banks from out of their depositors’ money.

In addition to this, the government is able to raise long-term funds by the sale of government securities in the securities market which forms apart of financial market. Even foreign exchange requirements of the government can be met in the foreign exchange market.

The most important benefit for any government is the raising of finance without offering any security. In this way, the financial services are a big boon to the government.

### 9. Expands activities of Financial Institutions

The presence of financial services enables financial institutions to not only raise finance but also get an opportunity to disburse their funds in the most profitable manner. Mutual funds, factoring, credit cards, hire purchase finance are some of the services which get financed by financial institutions.

The financial institutions are in a position to expand their activities and thus diversify the use of their funds for various activities. This ensures economic dynamism.

### 10. Capital Market

One of the barometers of any economy is the presence of a vibrant capital market. If there is hectic activity in the capital market, then it is an indication of the presence of a positive economic condition. The financial services ensure that all the companies are able to acquire adequate funds to boost production and to reap more profits eventually.

In the absence of financial services, there will be paucity of funds which will adversely affect the working of companies and will only result in a negative growth of the capital market. When the capital market is more active, funds from foreign countries also flow in. Hence, the changes in capital market is mainly due to the availability of financial services.

### 11. Promotion of Domestic and Foreign Trade

Financial services ensure promotion of domestic as well as foreign trade. The presence of factoring and forfeiting companies ensures increasing sale of goods in the domestic market and export of goods in the foreign market. Banking and insurance services further contribute to step up such promotional activities.

### 12. Balanced Regional development

The government monitors the growth of economy and regions that remain backward economically are given fiscal and monetary benefits through tax and cheaper credit by which more investment is promoted. This generates more production, employment, income, demand and ultimately increases in prices.

The producers will earn more profits and can expand their activities further. So, the presence of financial services helps backward regions to develop and catch up with the rest of the country that has developed already.

# BPO: Sunshine in the Boulevard

Time changes but some things just remain the same and FY ’06 was no  
exception to the rule. India continued to sporadically reel under the threat of  
global terrorism, the political shenanigans of a coalition government showed no  
signs of abating, reservation issue kept on raising its ugly head, the cricket  
team’s fortunes continued to yo-yo and the sunshine BPO sector just kept  
growing and growing. For the third year running it clocked a more than  
impressive 39% growth to reach Rs 31,839 crore in revenues as against Rs 22,930  
crore in the previous fiscal.

No surprise that exports still contributed the lion’s share of the pie  
touching Rs 27,789 crore (a 37% growth), but the more interesting story could be  
found in the domestic BPO segment. A 53% growth to close at Rs 4,050 crore might  
look a tad disappointing after the 85% growth in FY ’05, but this was the year  
when domestic BPO finally shed off its poor cousin tag and even attracted a  
number of the top players in the sector to take the plunge. Unlike earlier  
years, it was not just the captive call centers of the banks and telcos who  
brought up the domestic BPO segment, but even many of the members of the elite  
DQ Top 25 club too made serious domestic forays in 2005-06.

**Domestic BPO comes of age**

Take the case of Intelenet Global Services which acquired 51% of Sparsh, the  
domestic BPO business of Spanco Telesystems, and subsequently demerged it into  
its subsidiary Intelenet BPO Services (IBSL). This new entity, IBSL, made its  
domestic debut with 39 clients including the likes of HLL, HDFC Bank, Punjab  
National Bank, Air India, ICICI Prudential and Tata AIG among others. With 5,500  
people spread across 7 centers in 5 locations including Mumbai, Pune, Kolkata,  
Gurgaon, Bangalore and Chennai, services provided by IBSL included customer  
care, order fulfillment, collections, retention and lead generation.

Aegis Communications, coming from the Essar stable, saw nearly Rs 132 crore  
in revenue coming from India, making it one of the largest BPOs with a domestic  
focus. It managed 30% of India’s telecom volume (had a distinctive domain edge  
because of its parentage) and the client list included most telecom majors,  
including Airtel and Hutch. It had a presence in 11 Indian cities, with 17  
delivery centers. Airtel, in fact, played a pioneering role in the coming of age  
of domestic BPO when it outsourced its call center operations to four  
third-party BPO players-IBM Daksh, MphasiS BPO, Hinduja TMT and TeleTech. The  
deal size was reported to be Rs 1,000 crore and spans 4-5 years. Whirlpool, on  
the other hand, outsourced a range of customer interaction services including  
inbound complaint management and queries, plus outbound dealer calling to  
Infovision.

MphasiS BPO’s other serious domestic venture involved customer support  
operations for the State Bank of India, the country’s banking behemoth. Under  
the Rs 250 crore deal, MphasiS provided predominantly voice-based inbound  
services for the bank. Incidentally, the company’s Noida facility was  
earmarked to support only domestic clients. The Aditya Birla Group entity,  
Transworks, too started domestic work especially for the other group companies  
like Birla Sun Life Insurance and Idea Cellular. Hinduja TMT too gained  
significant traction in the domestic market; its business accounted for 11  
clients, employed 3,000 people and contributed 15% of its overall revenues.  
SerWiz Solutions (a Tata Sons subsidiary) serviced Tata Group companies like  
Tata Teleservices, VSNL and Space TV from its three centers in Pune, Hyderabad and Mohali.Â

Traditionally, captives had made up the domestic BPO market and those like  
Reliance Communications (6,000 people at DAKC), ICICI Bank (2,000 seats in  
Mumbai and Hyderabad), HDFC Bank (13 centers across the country) and Indian  
Railways (set up call centers in Bangalore and Patna) continued to flourish in  
2005-06. One catalyst for the domestic success was the capacity to service  
clients in multiple regional languages-IBSL supported 15, Aegis 14 and  
Reliance eight of the regional lingos. True, the quality of service still left  
much to be desired; but with agents coming at nearly half the salaries of their  
export counterparts, the companies were not complaining. However, some of them  
did initiate quality mechanisms and incentives in terms of transferring high  
performers to the exports side.

**Going Global Through M&A**Notwithstanding the lucrative domestic appeal, Indian BPOs still raked in  
the moolah from exports. Therefore, there was no respite from most of them  
trying to set up global footprints: both the M&A route as well as organic  
growth by means of delivery centers in new locations were tried out. While  
Genpact marked its first year of third party existence with a few acquisitions,  
even traditionally conservative players like TCS went ballistic on bagging new  
companies to spread out globally. The experience of Datamatics Technologies,  
which suffered owing to wrong choice of acquisitions in 2004, should serve as a  
fitting example for others about the importance of proper due diligence before  
scouting for targets abroad. Even global players like eFunds and Convergys with  
significant India-centric delivery tried their luck with acquisitions. (For full  
details, see Table The M&A Scorecard for 2005-06)

Indian BPO players also gained in global standing especially after WNS  
listing in the NYSE and now EXL Service’s plan to do so in the Nasdaq. What  
took the IT services industry nearly two decades (Infy listing in Nasdaq  
happened in its seventeenth year) was emulated by the BPO sector in nearly a  
fourth of that time. Unlike their software services brethren, Indian BPO  
companies competed with their US/UK counterparts more as equals, especially when it came to newer areas such as industry-specific services and  
knowledge-intensive services. In FY ’06, they looked at bridging yet another  
gap-the ability to offer true global service delivery. Almost all large  
India-centric BPO companies have either built or are building delivery centers  
in offshore locations other than India, in addition to some onshore capability.

The Philippines and nearshore locations were the hot favorites. Hinduja TMT  
was the first Indian BPO company to open a facility in the Philipines. Besides  
Hinduja TMT, Genpact, IBM Daksh, and 24/7 Customer have their centers in the  
Philippines, while ICICI Onesource is seriously considering it. Wipro BPO is  
looking at Vietnam. Eastern Europe is yet another favorite amongst the Indian  
players, with Genpact having two centers in Romania and Hungary, and Progeon in  
the Czech Republic. Northern Ireland is becoming another favorite with HCL BPO  
now being followed there by ICICI OneSource. The Americas have not exactly been  
the favorite destination though MphasiS BPO was present in Mexico, 24/7 Customer  
in Guatemala and now TCS BPO in Chile.

**The Market Dynamics**By now everyone know the key growth drivers of Indian BPO exports, and in FY  
’06 there were little indication that India would surrender any of these  
inherent advantages in the near future. This year, rather, witnessed the  
consolidation of a few key service lines for the BPO exports sector-finance  
& accounting, customer interaction services and HR administration finally  
emerged as the top three in the pecking order accounting for 89% of the total  
revenues. Voice-based call centers still dominated, the proof being customer  
interaction services, accounting for 46% of the revenues.

In addition, the high-end knowledge-based BPOs or KPOs too prospered:  
investment research support, legal services, content development and publishing,  
econometrics, data analytics, modeling and forecasting besides animation and  
gaming were the preferred areas. Dataquest, in line with Nasscom, however,  
segregated animation & gaming from BPO, though some analysts considered that  
too as KPO. Both third-party services providers like WNS, OfficeTiger or  
Datamatics Technologies as well as captives like Morgan Stanley, Reuters or even  
the World Bank were involved in KPO services.

Just like software services, BFSI remained the most prolific vertical for BPO  
too. In addition to the expanding scope of services in this relatively mature  
sector, there was a growing trend in 2005-06 towards sourcing higher-end,  
complex, analytics and research-based services required in capital and debt  
market investment, fund management, M&A and corporate finance, economic and  
policy analyses. A look at the client profiles of the DQ Top 25 club vindicates  
the preference of BFSI players to outsource their processes to Indian players.

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**COMPONENTS AND WORKING OF A CALL CENTRE**

Introduction

A call centre or call center is a centralized office used for receiving or transmitting a large volume of requests by telephone. An inbound call centre is operated by a company to administer incoming product support or information enquiries from consumers. Outbound call centers are operated for telemarketing, solicitation of charitable or political donations, debt collection and market research. A contact centre is a location for centralized handling of individual communications, including letters, faxes, live support software, social media, instant message, and e-mail.

A call centre has an open workspace for call centre agents, with work stations that include a computer for each agent, a telephone set/headset connected to a telecom switch, and one or more supervisor stations. It can be independently operated or networked with additional centres, often linked to a corporate computer network, including mainframes, microcomputers and LANs. Increasingly, the voice and data pathways into the centre are linked through a set of new technologies called computer telephony integration.

The contact centre is a central point from which all customer contacts are managed. Through contact centres, valuable information about company are routed to appropriate people, contacts to be tracked and data to be gathered. It is generally a part of company’s customer relationship management. The majority of large companies use contact centres as a means of managing their customer interaction. These centres can be operated by either an in house department responsible or outsourcing customer interaction to a third party agency (known as Outsourcing Call Centres).

## History

The origins of call centres dates back to the 1960s with the UK-based Birmingham Press and Mail, which installed Private Automated Business Exchanges (PABX) to have rows of agents handling customer contacts. By 1973, call centres received mainstream attention after Rockwell International patented its Galaxy Automatic Call Distributor (GACD) for a telephone booking system as well as the popularization of telephone headsets as seen on televised NASA Mission Control Center events.

During the late 1970s, call centre technology expanded to include telephone sales, airline reservations and banking systems. The term "call centre" was first published and recognized by the Oxford English Dictionary in 1983. The 1980s experienced the development of toll-free telephone numbers to increase the efficiency of agents and overall call volume. Call centres increased with the deregulation of long distance calling and growth in information dependent industries.

As call centres expanded, unionisation occurred in North America to gain members including the Communications Workers of Americaand the United Steelworkers. In Australia, the National Union of Workers represents unionised workers; their activities form part of the Australian labour movement.In Europe, Uni Global Union of Switzerland is involved in assisting unionisation in this realm and in Germany [Vereinte Dienstleistungsgewerkschaft](https://en.wikipedia.org/wiki/Vereinte_Dienstleistungsgewerkschaft) represents call centre workers.

During the 1990s, call centers expanded internationally and developed into two additional subsets of communication, contact centers and outsourced bureau centers. A contact centre is defined as a coordinated system of people, processes, technologies and strategies that provides access to information, resources, and expertise, through appropriate channels of communication, enabling interactions that create value for the customer and organisation.In contrast to in-house management, outsourced bureau contact centers are a model of contact centre that provide services on a "pay per use" model. The overheads of the contact centre are shared by many clients, thereby supporting a very cost effective model, especially for low volumes of calls. The modern contact center has developed more complex systems, which require highly skilled operational and management staff that can use multichannel online and offline tools to improve customer interaction.

## Technology

Call centre technologies include speech recognition software to allow computers to handle first level of customer support, text mining and natural language processing to allow better customer handling, agent training by automatic mining of best practices from past interactions, support automation and many other technologies to improve agent productivity and customer satisfaction. Automatic lead selection or lead steering is also intended to improve efficiencies, both for inbound and outbound campaigns. This allows inbound calls to be directly routed to the appropriate agent for the task, whilst minimizing wait times and long lists of irrelevant options for people calling in. For outbound calls, lead selection allows management to designate what type of leads go to which agent based on factors including skill, socioeconomic factors and past performance and percentage likelihood of closing a sale per lead.

The universal queue standardizes the processing of communications across multiple technologies such as fax, phone, and email. The virtual queue provides callers with an alternative to waiting on hold when no agents are available to handle inbound call demand.

### Premises-based technology

Historically, call centers have been built on Private branch exchange (PBX) equipment that is owned, hosted, and maintained by the call centre operator themselves. The PBX can provide functions such as automatic call distribution, interactive voice response, and skills-based routing.

**Virtual call centre**

In virtual call centre model, the call centre operator pays a monthly or annual fee to a vendor that hosts the call centre telephony equipment in their own data centre. In this model, the operator does not own, operate or host the equipment that the call centre runs on. Agents connect to the vendor's equipment through traditional [PSTN](https://en.wikipedia.org/wiki/Public_switched_telephone_network) telephone lines, or over [voice over IP](https://en.wikipedia.org/wiki/Voice_over_IP). Calls to and from prospects or contacts originate from or terminate at the vendor's data centre, rather than at the call centre operator's premises. The vendor's telephony equipment then connects the calls to the call centre operator's agents.

Virtual call centre technology allows people to work from home, instead of in a traditional, centralized, call centre location, which increasingly allows people with physical or other disabilities that prevent them from leaving the house, to work. The only required equipment is Internet access and a workstation. The companies are preferring Virtual Call Centre services due to cost advantage. Companies can start their call centre business immediately without installing the basic infrastructure like Dialer, ACD and IVR

**Components and working of a call centre*:***

1 Communication resources: telephone, fax, internet

2 Automatic call distributors (ACD)

3 interactive voice response

4 Predictive dialing

5 Recording system

6 Data and transaction documentation

**Key components of call centre**

There are 6 key components which should be integrated into the call centre operation:

* Location, building and facilities
* Customer
* Technology
* Process
* People
* Finance and business management

A change in any one of the above components will have a direct or indirect impact on every other part! Let’s look at each of these in turn.

#### Location, building and facilities

Where a centre is located is critical in terms of the cost of the building but more importantly the ability to recruit and retain employees to work in the centre. The ease and cost to get to a centre is important for those employed in the centre but also in the integration with the Head Office functions that the centre needs to work with. The facilities and working environment is more critical than for functional line departments because of the intensity with which the Agents have to sit at their desks and the need to manage resource patterns. Visiting a call centre and looking at how it might feel to work in it will be extremely telling as to how good the centres performance is, but also how the organization view and treat their employees. If you walk into a centre would you want your job to be based in that type of facility? If not, then why are you any different from others?

#### Customer

Customers can be anyone, and the Agent needs to have the skills to be able to adapt their style and vocabulary to suit different customer types. The Agent talks to more customers in any one day that any other person in the organisation. If you want to know what is going on with customers, ask the Agents! With average call durations of less than 3 minutes, how do you form a relationship and build loyalty from a customer in that time. That is one of the biggest challenges that the Agents face, especially given many customers do not like the impersonal touch that call centres often provide.

#### Technology

There are significant amounts of technology available and it is very easy to be bamboozled by it all! It very much depends on the size and nature of your business as to what you require. The basic equipment to handle calls is the Automated Call Distributor but these can range from basic to a Rolls Royce! Many centres do not fully utilize the technology that they have. In addition there is usually a disjoint between what the technology can do and what it is actually used for!

#### Process

Every centre has a multitude of processes, but the biggest challenge that it faces is to understand the end to end process from the customer perspective! The customer journey is what happens from the point in time when a customer decides to contact you through to the completion of that request or transaction. How long does this journey take and what does it feel like taking the steps along the way. How long is spent waiting? Does the agent have the customer details to hand? Can the agent answer the query first time? Does the fulfilment when expected? Is there the need to contact the organization again because what was promised hasn’t happened on time?

One very easy but critical way of looking at the customer journey is to mystery shop the centre and to see what it really feels like to be the customer. Put yourselves in the shoes of your key customer demographic type and call your own centre today.

#### People

People are the most critical asset in a call centre as it is they who really deliver the business performance. Unfortunately the investment and perception of your staff may be rather poor. The people (Agents) often have to deal with difficult situations when things have gone wrong in your organization and deal with a large volumes of calls that result, whilst not always having the necessary training or skills. However, the teams in Centres can be very resilient and are often very social, making the centre a great place to work. There are many different roles on offer and so they can a good environment to start and develop a career!

#### Finance and business management

There will be more management information statistics in a call centre than in any other part of the organization. The centre is measured from every different angle but unfortunately, this does not always give a complete picture!

One of the most challenging roles is the planning, measuring and reviewing of performance because so many centres are under pressure from calls and other expectations, that being able to step back and take an objective view maybe difficult. Most centres are run to very tight budgets so factors such as turnover of staff will have a huge impact.

One alternative that you may to consider is outsourcing. Outsourcing has become a hot topic in today’s call centre business. What can outsourcing do for you as a business? What do you need to consider when outsourcing? What are the common pitfalls that organizations have to face? What things should you do to reduce the risk of outsourcing going wrong?

So as you can now fully appreciate, call centres are highly complex operations that can be mastered if you have the right advice and guidance

**Issues and problems:**

1 Setting appropriate pay scales.

2 Reducing employee turnover.

3 Scheduling, rewards and the chance for advancement.

4 High stress.

5 Medical problems.

**Unit- III**

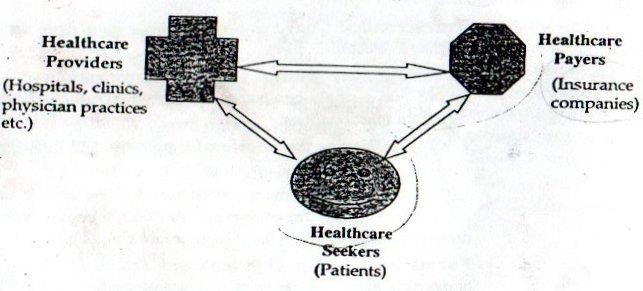
## INTRODUCTION of Healthcare BPO:-

**DEFINITION:**

Healthcare organizations which include hospitals, pharmacists etc. have the responsibility and opportunity to provide medical treatment for patients from pre – birth to end of life .healthcare are provided based on the need of the person . at each step of the medical care process, large volumes of paper and computerized information are generated and retained , from the demographic background of the healthcare seeker, the type of medical intervention required and provided to how the seeker responds to the said line of medical treatment. The healthcare BPO industry in valves outsourcing activities related to the creation, maintenance and exchange of patient information between healthcare providers (hospitals. Clinics and physician practices) and healthcare payers such as insurance companies.

•“The BPO experience is yet another instance of the law of unintended consequences: instead of western banking and insurance services flooding spectrum of business processes being transferred from industrialized countries to developing countries like India’’.

**Structure of the American healthcare sector:**

****

**•Activities that take place in the system leading to creation of service** **requirements:**

•People are insured by one of insurance companies operating in the US.

•Patient goes to the healthcare provider with some medical problem .

•The healthcare provider diagnoses the ailment and recommends some medical procedure:

simple treatment ,operation or other support services such as radiology, pathology etc, depending on the nature of the problem.

•Healthcare providers have to maintain a complete record of everything that transpires between them and the patient, -i.e., the demographic details of the patient ,the complaint patient came with, the diagnosis ,treatment prescribed, follow- up details etc. physicians in the USA are highly paid. Most of them are extremely busy and do not have time to create a computerized medical record of each and every patient into a Dictaphone to be transcribed later into a required digital document.

•These transcribed medical records are then collated along with demographic data and doctor’ s electronic signature and a computerized patient record is aerated.

•The various treatments , diagnostic and medical procedures have been given different codes to simplify the whole cumbersome process as also to allow electronic predefined diagnostic and treatment codes to different medical procedures ( e.g., surgery etc).

•Then , charge sheets are produced that contain the comprehensive patient demographic and billing data.

•These charge sheets are then combined with patient records and codes to generate bills/ claims.

•These claims are then submitted to the insurance companies for collection of receivables.

Usually, in the event of a clean electronic claim ,the settlement is five – seven working days.

•The process is over with this step.

## HEALTH SERVICES

Health care provides are engaged in a variety of activities and services such as;

•**Transcription:** Conversion of medical data from speech or handwritten format to electronic form.

•**Document management:** Collation of patient’s medical and demographic record into simple with database and signature functionalities.

•**Coding:** Assigning the predefine diagnostic and treatment codes to different medical procedures.(e.g., surgery)

•**Billing:** Combining patient records, codes and charge sheets (charge sheets are produced after the coding process which contain comprehensive patient ,demographic and billing data) to generate claims/bills.

•**Forms processing:** This includes scanning handwritten documents, converting them into electronic form and sending it back.

•**Receivables management:** Follow – up and collection of receivables.

•**Company health analysis:** Here the medical history of all employees of a company is analyses to find out the health risk of a company. That is, how many employees are prone to heart attacks or other serious ailments etc? This helps companies make contingency plans.

## ADVANTAGES

•**Cost advantages:** Asian countries such as India, Pakistan and

Philippines were cheaper as the cost of lab our was low which meant the overall cost of the activity would also be low. The work, when off shored could be done 40-50 percent cheaper; the biggest saving was employee cost –almost one third.

### •Large manpower availability advantage: The pool of people with basic English-language skills is very large in Asian countries such as India, Philippines or Pakistan .Hence BPO companies in these countries can handle a voluminous amount of work for healthcare providers in the US.

**Regulatory Standards**

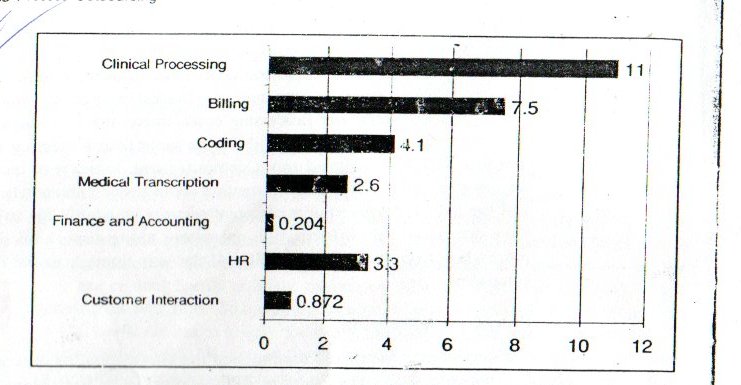
The health Insurance Portability and Accountability Act of 1996, better known as HIPAA, is a new standard in the US medical community for the collection, storage and transmission of patient information between providers (doctors, hospitals, clinics and the like ), payers (insurance companies and the US Government) and clearing houses (centralized processing facilities that improve the efficiency of the system) . HIPAA, passed by the government in 1996, has guidelines on transactions, privacy and security

**Process of off shoring**

The healthcare BPO vendors vendors offer one or more of the activities required by the overall healthcare system. Since the base of graduates with a sound knowledge of English of English language is large in these countries, scalability is a non- issue. these graduates are trained not only in the nuances of the business but also in developing a quality –conscious mindset, This is because the quality requirement of the documents produced by the vendors is extremely high, very often the payment is also a function of the quality audit performed by the turnaround time.

**Opportunity in the Healthcare Domain**

There are enormous opportunities for healthcare BPO vendors as currently off shoring is at very nascent stage and at the beginning of the pyramid. The size of the healthcare industry in US is estimated to be around $1.3 trillion out of which only about $350 billion is being off shored to external BPO vendors. These numbers are estimated to touch US $800 million for Indian BPO companies by 2005.



**Activity Profile in the Healthcare Domain**

* Medical Transcription

Medical transcription, which is converting medical data from speech (voice) or handwritten format into electronic form, was the first activity performed in the healthcare space, medical transcription occupies an important position in the healthcare domain. It also facilities outsourcing of other services such as document management, coding and billing. Each medical admission/visit generates a lot of patient data like patient history, physical/operative reports, administrative/consulting notes, lab and diagnostic results, etc. All this data I generated in speech, handwritten or computerized format and needs to be stored in the patient’s health record. Timely and accurate transcription of patient information is required by all entities in the healthcare space for patient care , administrative and billing purposes, reimbursements , insurance needs and safeguard against litigation as well as regulatory compliance .the transcription process begins when a patient goes to the healthcare provider with a health- related complaint. This generates a lot of data and it is the responsibility of the healthcare provider to maintain this data in electronic format.

The training period is intense and long. The six –month – long full- tin training programmer covers the following topics:

* Medical terminology.
* Human anatomy.
* Operative and consultative procedures.
* Pharmacology and knowledge about the various drugs used.
* American English .
* Method and style of transcription .
* Course for enhancing typing skills.

**Document management**

This is the next step in the healthcare system, involving further processing of the patient records generated through medical transcription . this patient record s contains only the visit with the provider. These details .need to be collected with the demographic records of the patient along with the Social Security number etc and thus create a single computerized patient records (CPR) which also has an electronic signature functionally.

coding is process of diagnostic assigning such diagnostic and treatment codes for identified procedures and services . the codes are assigned by a number of qualified coders who read the medical record and assign codes after understanding the complex code definitions and the numerous government and private regulations on their usage.

**Medical Coding in India**

Outsourcing by hospitals and physicians in the US to India is increasing because of abundant availability of human resources and affordable transcription and coding services here. The non – availability of trained and experienced coders and higher cost of medical coders in the US are driving more and clients to India for their outsourcing services.

Billing and receivables

The next step after coding is the generation of a primary, or as is more popularly companies to claim reimbursement. medical billing thus is more an accounting activity that generates bills, processes them for claims from insurance companies or intermediaries and posts payments received for the services.

**Future Trends in Healthcare BPO**

India is clearly emerging as a favorable destination for healthcare outsourcing mainly because of its inherent strength in terms of the quality of the human resource pool. Over and above their proficiency in English language, Indians also have a strong analytical bent of mind and as companies go up the value chain this trait becomes important to develop complex applications and manage complex processes. Another impotent advantage India and Indian companies have is a field have the capacity to offer a large number of value- added services like diagnostic analysis by highly qualified medical professionals at a much lower cost clearly, this a long –term opportunity and Indian companies are ready to take a substantial proportion of pie.

**Threats to the Industry :Voice Recognition**

Using computer software to convert human speech into electronic, written da has a decade- long history in medicine. Since the late 1980s, radiologists and other specialists have used expensive dedicating systems that employ specialize vocabularies to recognize reports dictated in an awkward, ‘ discrete speaking style. But that picture began to change sharply in 1996 with a technological breakthrough : the commercial release of low- cost, P C – based software that could recognize normal – sounding speech, spoken at typical speed and without unnatural pauses.

Advantages of speech Recognition

* Accurate recognition of natural sounding ‘ continuous, speech.
* Widespread availability of cheap, raw computing power.
* Reduces the need for medical transcriptionists of which there is a shortage.
* Good return on investment as costs are low.
* Faster turnaround time.

**Problems and Issues:**

* Doctors, resistance to learning new methods.
* Underpowered legacy systems not suitable for running it.
* Incompatible patient record and practice management systems .
* Accuracy rate still inadequate for some uses.
* Use in specialized medicine improves accuracy rate , but relegates application to ‘islands; making enterprise- wide implementation difficult.
* In effect, there is definitely no reason to panic and the medical transcription industry will grow from strength thereby creating need for more and more people in the profession.

**List of some of the MT companies in India**

The list has been prepared by obtaining information from the Internet. The list does not indicate any rankings and has been put at random the author or the publisher does not take any responsibility for any omissions.

|  |  |  |
| --- | --- | --- |
| No. | Name of the Company | Location |
| 1 | Cbay Systems | Mumbai , Bangalore , Hyderabad |
| 2 | Godrej Remote Services | Mumbai |
| 3 | Health scribe | Bangalore |
| 4 | Heartland | Bangalore |
| 5 | Elico Limited | Hyderabad |
| 6 | Eyered Transcription Serivcs | Delhi |
| 7 | Microgentics | Delhi |
| 8 | Saral Infotech | Ahmadabad |
| 9 | KG Infotech | Coimbatore |
| 10 | Suyash Software | Nagpur |
| 11 | Acusis Software | Bangalore |
| 12 | Focus Infosys | Bangalore and Coimbatore |
| 13 | IDS Infotech Limited | Chandigarh |
| 14 | Infovision Software | Kolkata |
| 15 | Medsoft | Bangalore |
| 16 | DHS Infosystems Limited | Mumbai |
| 17 | E – Scribe Solutions | Chennai |
| 18 | Garda Meditech | Pune |
| 19 | Truworth Infotech Pvt Ltd | Jaipur |
| 20 | Mediscribe | Bangalore |
| 21 | Zepher | Vadorda |

**Deen Dayal Upadhyay Kaushal Kendra**

**Study Material**

**for**

**B.Voc (BPO)**

**Semester- II**

**Nomenclature: Basics of Business Process Outsourcing**

**Paper Code: BBPO-101**

**Author:**

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**UNIT -IV**

**HR-OUTSOURCING**

**What is Outsourcing?**

The performance by outside parties, on a recurring basis, of tasks that would otherwise be   
performed in-house.

**Types of Outsourcing**

:Business Process Outsourcing

: Information Technology - 28%

: Human Resources – 16%

: Sales & Marketing – 15%

: Finance – 11%

: Administrative – 9%

: All Others – 22%

**What is HR outsourcing**

* HR Outsourcing is basically the allotment of specific HR activities to a more specialized third party service provider
* Done in order for business owners to stay in route to their more important goal of growing their business and to cut down costs.

**ARGUMENTS IN FAVOUR**

* **First**, it allows firms to concentrate resources on their "core" business activities where they have expertise and are likely to do best
* **Second**, it enables firms to profit from the rising comparative advantage of specialized service providers who may have expertise in the areas concerned.
* **Third**, it provides firms with greater flexibility and productivity by usingtemporary subcontractors to cover fluctuating demands for labour.
* **Fourth**, outsourcing creates opportunities for firms to shift the burden of risk and uncertainty associated with the business to someone else
* **Fifth**, outsourcing enables firms to keep future costs down by selecting the most competitive tender for renewing the contract
* **Sixth,**It has been argued that outsourcing relationships can create partnerships between contractors and clients that may facilitate learning and cross fertilization between the two firms

**ARGUMENTS AGAINST OUTSOURCING**

* the service provider may have a vested interest in standardizing all parts of its service in order to achieve economies of scale across

clients.

* When the quality of services provided by an HR outsourcing service is deemed unsatisfactory, the cost of an alternative solution may increase considerably, and any immediate improvements may be difficult to materialize.
* Impact on In-house HR Professionals-
* Impact on line managers
* Impact on Employees Receiving HR Services
* As a result, it may actually be more costly for the organization to acquire the HR services from the external provider when all the indirect costs (both financial and emotional)that may incur in-house are calculated. This is especially true for large organizations in which employees are highly professional and highly paid

**Case Study**

**Bank Of America**

* Leading financial service organization
* Approximately 1, 85, 000 employees.
* 4200 banking centers

HR- Department

* 1300 employees in HR
* Have outsourced many of their HR activities to Exult like,

- International relocation

-administration , regional staffing,”life event coordination”(Leave and Retirement) policy and general benefits etc.

**Motives for outsourcing**

* Reduce Costs
* Focus resources on core activities and core competencies
* Expand and improve services.
* Benefits from Vendor’s investments and innovation
* Improve career opportunities for staff.
* Increases Flexibility

**Results from outsourcing**

* Activities like Payroll,benefits, administration were completed within 7 months.
* Cost reduction goal of 12 per-cent annually was achieved.
* Could focus on more strategic tasks like process design and development.
* Increase in Percentage of internal recruitment from 16% to 35%.

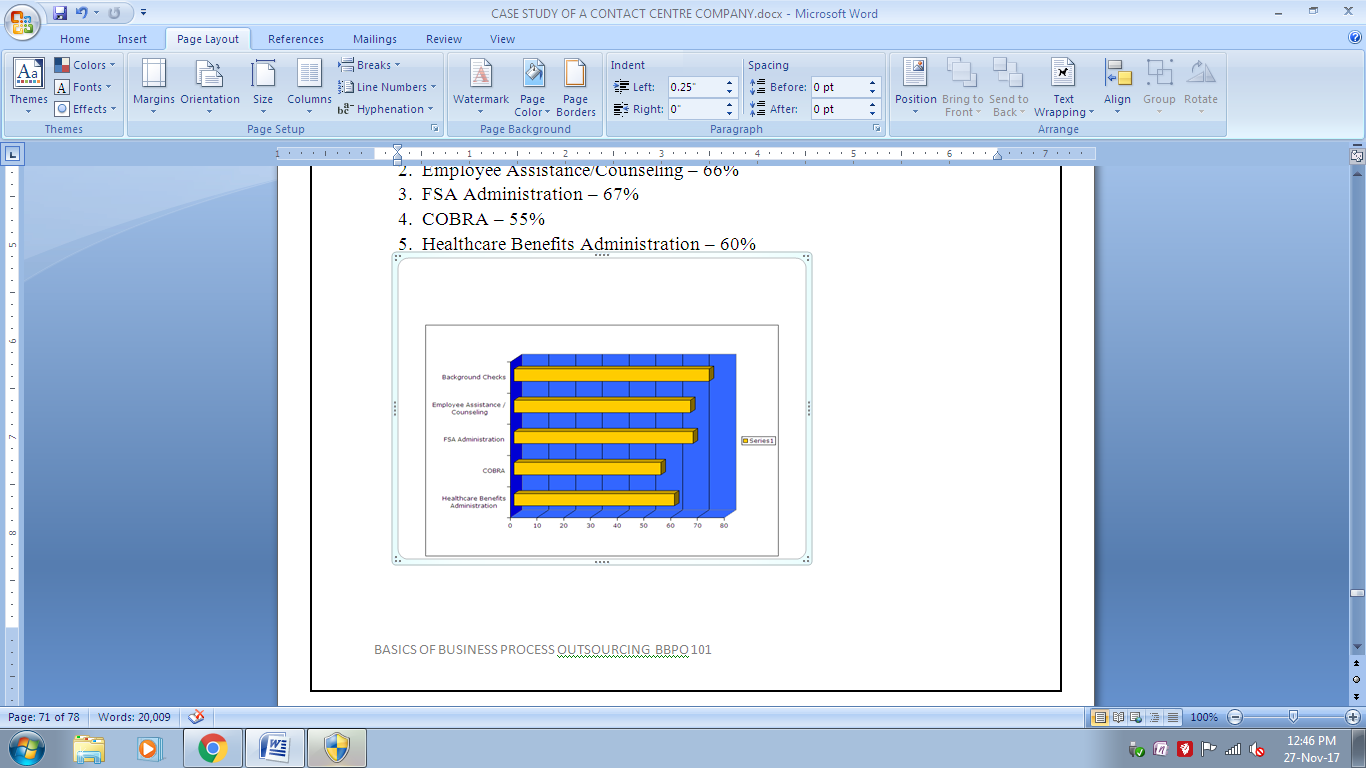
**CONCLUSION**

* **Training ,payroll , recruitment, taxation, and legal compliance** can be outsourced.
* **employee relations, HR planning, career management, and performance appraisal** should remain inhouse.
* Thus HR outsourcing should be carried out in a controlled way.

**ACTIVITIES INVOLVED IN HR BPO**

5 Most Commonly Outsourced HR Services

1. Background Checks – 73%
2. Employee Assistance/Counseling – 66%
3. FSA Administration – 67%
4. COBRA – 55%
5. Healthcare Benefits Administration – 60%



**EMPLOYEE ASSISTANCE**

* An **Employee Assistance Program** (**EAP**) is a voluntary, work-based **program** that offers free and confidential assessments, short-term counseling, referrals, and follow-up services to **employees** who have personal and/or work-related problems.

**FLEXIBLE SPENDING ACCOUNT**

* A flexible spending account (FSA), also known as a flexible spending arrangement, is one of a number of tax-advantaged financial accounts that can be set up through a cafeteria plan of an employer in the United States. An FSA allows an employee to set aside a portion of earnings to pay for qualified expenses as established in the cafeteria plan, most commonly for medical expenses but often for dependent care or other expenses. Money deducted from an employee's pay into an FSA is not subject to payroll taxes, resulting in substantial payroll tax savings. Before the Patient Protection and Affordable Care Act, one significant disadvantage to using an FSA was that funds not used by the end of the plan year were forfeited to the employer, known as the "use it or lose it" rule. Under the terms of the Affordable Care Act, a plan may permit an employee to carry over up to $500 into the following year without losing the funds.[[2]](https://en.wikipedia.org/wiki/Flexible_spending_account)
* The most common type of flexible spending account, the medical expense FSA (also medical FSA or health FSA), is similar to a health savings account (HSA) or a health reimbursement account (HRA). However, while HSAs and HRAs are almost exclusively used as components of a consumer-driven health care plan, medical FSAs are commonly offered with more traditional health plans as well. In addition, funds in an HSA are not lost when the plan year is over, unlike funds in an FSA. Paper forms or an FSA debit card, also known as a Flexcard, may be used to access the account funds.

**COBRA**

* The Consolidated Omnibus Budget Reconciliation Act of 1985 or, as most of us know it – COBRA – is a little law with a huge name that grants most employees and their dependents the right to continue health insurance coverage under an employer-sponsored plan in the event that coverage is terminated involuntarily.
* The COBRA legislation applies to all employers that had 20 or more employees (full time and part time) on at least half of its regular working days in the previous calendar year
* It offers certain employees, as well as their covered spouse and dependents, the right to pay premiums and continue group health insurance coverage under certain circumstances

**HEALTH BENEFITS ADMINISTRATION**

* The benefits administrator position is responsible for directing and planning the day-to-day operations of group benefits programs (group health, dental, vision, short-term and long-term disability, worker's compensation, life insurance, travel and accident plan, flexible spending plan, 401(k) plan and retirement plan).
* The benefits administrator also provides excellent customer service and quality benefits plans, investigates new benefits programs, improves existing programs, and supervises a monitors benefits administration, as well as designs employee benefits plans and provides analytical and technical support in the delivery of the benefit programs.

**OTHER TYPES OF HR OUTSOURCING**

: Pension Benefits Administration – 55%

: Temporary Staffing – 54%

: Payroll & Software Services – 48%

: Recruiting, Staffing & Search

* + Non-executives - 30%
  + Executives - 29%
* : Employee Relocation – 29%
* : Training and Development – 21%
* : Incentives – 19%
* : Web-based Services – 15%
* Professional Employer Organizations (PEO’s) – offer “coemployment” services where employees are paid under a PEO’s FEIN and are placed under the PEO’s benefits and worker’s compensation packages
* Administrative Service Organizations (ASO’s) – similar to PEO’s but do not include coemployment relationship

**Least Commonly Outsourced Functions**

: Performance Management 3%

: Strategic Business Planning – 4%

: Policy Development/Implementation – 4%

: Employee Communication Plans – 10%

**Trends in HR Outsourcing Market**

: Specialization

: Globalization

: Standardization

: Regionalization

: Consortia Buying

: Utility Model Evolution

Explanations :

1. **Specialization** – HRO buyers want a provider that considers them “special” and every provider has a “specialty”
2. **Globalization** – global is the new trend, with even small firms having global HRO needs; global HRO providers will find a thriving market
3. **Standardization** – Not all processes are unique and not all jobs are custom jobs. Standardized process and performance metrics are becoming more common and will consequently lead to better service, lower costs, and buyers that are free to focus on core competencies
4. **Regionalization –** aka “Hubbing Up”; creation of corporate hubs which are the center of all activity (ex: FedEx hubs is Nashville and all packages travel through Nashville on their way to final destination)
5. **Consortia Buying** – buying groups are banding together to buy BPO services; as high volume groups, they receive highly standardized services which drives continuous cost reductions
6. **Mid-market Mania** – The 500-1500 employee market will continue to grow more rapidly than the Fortune 500 (20%+ annually in North America and around world)
7. **Utility model Evolution** – BPO provider use will become as common as utility (gas, water, electric) use. Just as most individuals do not drill own gas or water wells, so will companies look to BPO providers to manage their utilities.
8. Consolidation and Partnering – Extremely large trend toward provider partnering (Ex: Aon HRO’s deal with CSC for IT and Ultimate Software for mid-market payroll)

**CAREER IN HR BPO**

* Payroll Administrator (Producing Checks, Handling Taxes, Dealing With Sick-Time And Vacations),
* Employee Benefits Manager (Health, Medical, Life Insurance, Cafeteria, Etc),
* Work Force Manager (Hiring And Firing, Background Interviews, Exit Interviews And Wage Reviews),
* Compensation Manager
* Learning and Performance Manager
* HR ANALYTICS: There is a growing demand for HR analytics as organizations focus on informed decision-making to improve their ability to hire and retain talent, forecast future workforce needs and create customized training programs. In today's competitive market, coupled with a massive talent crunch for key positions, HR is seen more as a strategic partner than a support function, and with a critical role to play in the company’s success.

# Media Process Outsourcing

**Media process outsourcing (MPO)** is a subset of outsourcing, providing a range of services to media and entertainment companies globally. Cost savings and availability of skilled manpower remain the prime drivers pushing the popularity of the industry.

With the mega media corporations witnessing a major media landscape change, the need for content distribution is at peak and requires multi-channel strategy for an effective and cost efficient supply, increasing the demand for high quality media process outsourcing. However the long term scope of the industry is not limited to a single process, but includes developing strategic means of achieving economies of scale and standardization across the industry.

Though Media process outsourcing is fairly a young industry, it is poised for high growth expected to create demand for specific media services like subtitle (captioning) for TV shows and movies, closed captioning, graphics and animation, video editing, media audit reporting and even transmission.

Also, the scope of Media Process Outsourcing has shifted from cost rationalization and service management to strategic outsourcing in the form of core business models. Big outsourcing players like Genpact (with its NGEN media joint venture with NDTV) and Infosys BPO Limited (with its Source18 joint venture with TV18) have already joined the fray to make the most out of it.

## Services for Newspapers and Magazines

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Pre-Press production Services** | **Imaging Services** | **Content Management** | **Digitisation** | **Meta Content Solutions** | **Ad Design & Management** | **Ad Sales** | **Online Services** |
| Page Layout Design | Scanning | Copy editing | Image | SGML / XML Encoding | Creative Design | Ad Pitches | eCataloguing |
| Image Management | Image Cut-outs | Issue Management | Image over text PDF Conversion | Developing / modifying DTD / Schema | Straight pick-ups | Copy Chasing | Ad design & Management |
|  | Image Sizing & Enhancement |  | Digital Edition |  | Pick-up with Changes | Inbound and Outbound Support |  |
|  | Colour Correction |  |  |  |  |  |  |

## Services for Books and Journals

| **Composition Services** | **Editorial Services** | **Art Management** | **Content Localisation** | **Digital Archiving Services** | **Conversion Services** | **eForms Authoring & Publishing** | **Project Management** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Auto Galley | Copyediting, Editorial Proofreading | Redrawing | DTP, Print design | OCR | Document Conversion | Forms Publishing | Cast-off, and complete management of the project lifecycle for Books & Journals |
| Parallel Publishing | Abstracting and Indexing | Creating of graphics from conceptual sketches | Print management | Scanning | GML Conversion | Composition |  |
|  |  |  | Image scanning & touching | Data back-up & Duplication | eBook Conversion | Content Authoring |  |

## Services for Directory Publishing

| **Yellow Pages Solutions** | **Contact Centre Solutions** |
| --- | --- |
| Ad Design & Management | Contact centre support |
| Pagination | Helpdesk support |
| Directory Keying |  |
| Listing Management |  |

## Services for Business Information Solution

Information Collection and Delivery, Collection, Conversion, Editing, Storage, Retrieval and Delivery

## Services for Online Market

Web hosting design and Maintenance, Web Analytics, E-cataloguing, Ad Design and trafficking

## SCM for MPE

The growing complexity of demand-driven supply networks makes it imperative to see the entire supply chain picture on a daily, refreshed basis. The Companies provide an innovative on-demand supply chain to help Media, Publishing and Entertainment companies meet the challenges of the industry.

Whether it is the smallest booklet or a full-scale directory, publishing is a complex. Only after complex and critical editing, proofing, prepress processing and archiving processes can the original content be exposed to the external audience. Tracking, efficient routing, distribution of work-in-progress-content to the right set of individuals at the right time is crucial to the success of the finished products. These steps need to be perfect in each and every repetition.

* Vendor inventory management
* Rampant piracy
* Product pricing
* Gray market
* Unknown royalty payments
* Limitations posed by copyright encoding in corporate businesses where content protection is unnecessary
* The difficulty of getting answers to intellectual property matters
* Ensure sustainability of the environment, while reducing the overall cost in the supply chain