

HUMAN RESOURCE ISSUES IN GLOBALLY DISTRIBUTED WORK: AN EXPLORATORY STUDY OF INDIAN OUTSOURCING FIRMS

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Globally Distributed Work (GDW) has emerged as an indispensable aspect of business for firms all over the world. An important element of GDW is outsourcing. For foreign clients looking for offshore outsourcing providers, India has always been a lucrative destination. As a result, Indian outsourcing industry has grown exponentially over the past few years. In spite of this growth, Indian outsourcing firms face some glaring human resource challenges that could be extremely detrimental to the outsourcing providers as well as their clients. Surprisingly, these issues have rarely been explored systematically. In this study, we identified human resource issues and challenges faced by outsourcing firms in India. We interviewed twenty-eight respondents in fifteen outsourcing firms. Content analysis of the responses confirmed human resource-related challenges as the most critical faced by Indian outsourcing firms. These were followed by organization- and external environment-related challenges. Implications of the findings for outsourcing firms and their clients are discussed.

Keywords: Human resource, outsourcing, clients and vendors

1. INTRODUCTION

Firms all over the world have witnessed tremendous changes in their business environment in the last few years. Globalization has not only expedited the multi-national exchange of goods, services, and processes, but has also facilitated the global distribution of work. As a result, Globally Distributed Work (GDW) has now emerged as an indispensable aspect of business for all kinds of firms. GDW refers to work spread across different nations, cultures, and economies. The concept has emerged as a powerful business tool and has been increasingly used by business firms to gain competitive advantage.

GDW necessitates a partnership-based approach to business and is characterized by different types of contracts, joint ventures, alliances, and so on among various business partners. An important aspect of GDW is outsourcing that involves a contractual association between an outsourcing firm and a supplier. The concept includes offshore as well as near-shore services, knowledge processes, business processes, and Information Technology (IT) outsourcing, and so on. It might include work outsourced to a third party or to MNC-owned subsidiary at an offshore location. Outsourcing has already been established as a strategic business tool, and the global outsourcing industry is growing exponentially. A common business practice now, outsourcing refers to transferring the operational ownership of one or more of its functions (by the firm) to an external provider with pre-defined terms and conditions (Ghosh & Scott, 2005). The outsourcing firm is commonly referred to as the *client* and the service provider is generally referred to as the *vendor* or *supplier*.

Over the last decade, the number of organizations resorting to outsourcing for a myriad of reasons has grown rapidly. The offshore business process outsourcing market, one of the most common forms of outsourcing, is growing at a projected annual growth rate of 60% (Tapper, 2003) with no signs of a slowdown in near future. Gartner Dataquest (2004) projected that business process outsourcing would grow from 1.3 billion in 2002 to 4.3 billion in 2007. The phenomenal growth of the outsourcing market at present and the highly optimistic projections about its future clearly indicate that outsourcing has been accepted as a valuable business practice. The growing number of global contracts and alliances focusing on outsourcing service delivery also demonstrate that organizations believe in the outsourcing value-propositions.

Different clients seek various kinds of value addition through their outsourcing partnerships. The outsourcing vendors might help the client in reducing costs, providing expertise, and improving services and processes. In spite of all the benefits that the outsourcing clients seek, and in spite of a growing outsourcing market, not all client-vendor associations succeed. The outsourcing industry is flecked with failed contracts, unprofitable partnerships, and losses. One of the reasons responsible for unprofitable outsourcing partnership might be lack of shared perspective. In order to reap

maximum benefits from their association, outsourcing clients need to understand suppliers' capabilities, goals, and values before entering into an outsourcing partnership (Feeny, Lacity, & Willcocks, 2005). Since clients are increasingly outsourcing their core and critical functions too, the need to know the other side becomes all the more critical. Dyer and Singh (1998) made a similar proposition through the relational view of the firm that emphasized shared goals and mutual understanding of processes and decisions between client and vendor.

Thus, knowledge and understanding of vendor's concerns might be important to client. For example, issues such as HR, technology, and training may have a direct impact on client's outsourcing operations. Clients need to be aware of vendor's issues to better negotiate contracts, make strategic policy decisions, and build long-term relationships with the vendors. Many multinationals choose to establish their own outsourcing operations at offshore locations. Understanding the concerns faced by the vendors in such locations may be of immense value to such companies. Prior research on offshore outsourcing has uncovered some general issues associated with offshore outsourcing like infrastructure, cultural differences, accents, and language ability contractual problems, fear of reduced service levels (Trapper, 2003; Walsham, 2001). While these studies enhance our understanding of common issues associated with offshore outsourcing, there is a need to examine specific issues that offshore outsourcing vendors and their employees face, and the relative significance of these issues. A critical issue in any partnership is the human resource.

Human resource is especially critical in case of an outsourcing partnership. First, satisfied employees are expected to be more productive, both for client as well as the vendor. Secondly, most of the times outsourcing involves direct interaction of clients' customers or employees with vendors' employees. For example, in case of outsourcing of customer care operations or financial services, clients' customers may be calling an employee in some offshore location to get information or technical support. Similarly, if a client has outsourced its HR function, its employees might have to interact with vendor's employees to settle their HR-related issues. If the employees at the vendor's site have HR-related issues such as lack of training, stress and de-motivation, and work overload, they may not be able to handle clients' customers and employees effectively. In this case, the client may be left with dissatisfied staff and angry customers. In extreme cases, the client might start losing its most loyal customers and employees, and its hard-earned reputation. Thirdly, the growing debate over the equality of wages and other benefits is yet another reason to be aware of vendors' HR issues. Several human rights associations advocate comparable wages and benefits for the outsourcing employees in the developing countries. But many a times, vendors looking for short-term profits exploit their employees financially as well as physically. By being sensitive to the well being of vendors' employees, clients can not only make the partnership profitable, but also fulfill their social responsibilities.

Thus, HR management at vendors' end might be critical to an effective outsourcing partnership. Yet, HR issues in the outsourcing firms have seldom been investigated. The purpose of this study was to identify the HR issues in Indian outsourcing firms. For clients looking for offshore outsourcing providers, India has always been a lucrative destination (Table 1). As a result, Indian outsourcing industry has grown exponentially over the past few years. In 2003, India accounted for 75% of total business process outsourcing offshore delivery value, which is only one of the many types of work outsourced to India (Nelson Hall, 2004). India's revenue from business process outsourcing alone is expected to grow from approximately 1 billion in 2002 to 13.8 billion in 2007 (Gartner Research, 2004). In spite of this growth, Indian outsourcing firms face some glaring human resource challenges that could be extremely detrimental to the outsourcing service providers as well as their clients. Surprisingly, these issues have rarely been explored systematically. In this study, we identified human resource issues and challenges faced by outsourcing firms in India and suggested organizational changes to address the challenges.

Qualitative research methodology was used and interview data was collected from employees working in 15 outsourcing firms. Secondary data was also obtained from global research agencies and a national association.

2. THEORETICAL BACKGROUND

2.1. Outsourcing

The statement by Grossman and Helpman (2002) that we live in an age of outsourcing clearly indicates the extent and importance of outsourcing. Outsourcing is defined as the process of transferring the responsibility for a specific business function or a set of related business functions to an external agent. It is a management approach that deals with delegating the operational responsibility for processes or functions that were previously delivered internally, to external agents (Franceschini et al., 2003). The "outsourced or client," and the "outsourcer or vendor" are the two main parties involved in outsourcing (Saunders & Gebelt, 1997). The clients outsource the processes or functions,

and the vendors deliver them.

There are several types of outsourcing depending on the nature of processes or functions being outsourced. Some of the most common types of outsourcing are business process outsourcing (BPO), Information Technology outsourcing (IT-outsourcing), knowledge process outsourcing (KPO). This categorization is based on the nature of work being outsourced. For example, BPO refers to the delegation of one or more business processes to an external provider. The external provider, in turn, manages the selected processes based on defined and measurable performance metrics (Gartner Research, 2004). IT-based business process outsourcing is the fastest growing business globally. On the other hand, KPO refers to the global distribution of knowledge work and involves sharing and integration of knowledge. On the basis of business functions being outsourced, outsourcing can be categorized as HR outsourcing, finance and accounting outsourcing, healthcare outsourcing, and so on. Other categorizations include onshore and offshore outsourcing where onshore outsourcing refers to outsourcing to a domestic or nearby vendor while offshore refers to the vendor from a different continent.

2.2. Theoretical background: Why firms outsource?

There are several approaches suggested by academicians to explain why firms outsource. For example, cost effective access to specialized skills and savings on overheads through short-term cost savings have been cited as key reasons for outsourcing (Finlay & King, 1999; Klein, 1999). Additionally, with globalization forcing the firms to focus on their core activities, the notion of outsourcing the non-core processes became the norm (Chalos & Sung, 1998; Currie & Willcocks, 1997). Another perspective is that an outsourcing firm should work towards building mutually beneficial long-term relationships with the suppliers. Effective management of such relationships can create new competencies for the outsourcer (DiRomualdo & Gurbaxani, 1998). Thus, though economies of scale is still a major motivation for outsourcing (Kakabadse & Kakabadse, 2005), the firms might outsource to improve responsiveness to the dynamic market conditions (D'Aveni & Ravenscraft, 1994), to concentrate on core activities, or to achieve a combination of benefits (Kern et al., 2002).

Three theoretical approaches have been used to explain outsourcing decisions made by the firms. These include: (1) transaction cost theory, (2) the competence-based view, and (3) the relational view. Figure 1 illustrates the three approaches. Transaction-cost view explains firms' reasons to outsource from the 'costs' perspective. According to transaction cost theory, the outsourcing decision is determined by the relative transaction and production costs associated with the process or service (Williamson, 1979). Transactions include three dimensions: frequency of transactions, uncertainty, and degree of asset specificity. A firm will outsource its business processes if all dimensions of transactions are low (Mahnke, Overby, & Vang, 2005). The contracts between the client and vendor must be detailed and specific to avoid opportunism and performance measuring problems (Lacity & Willcocks, 1998; Poppo & Zenger, 2002). But such formal and highly specific contracts may lead to distrust and opportunism also (Ghoshal & Moran, 1996). As a result, this approach is criticized for its emphasis on over-specification that fosters rigidity and distrust among the vendors rendering the partnerships unsuccessful.

The *competence perspective* is based on firm's resources and capabilities. According to this approach, a firm may outsource the activities other than its core competencies (Quinn & Hilmer, 1994). Core competencies refer to those capabilities of the firm that are unique, inimitable, and non-substitutable, and from which a firm derives its competitive advantage (Barney, 1991; Prahalad & Hamel, 1990). For example, a firm may outsource its IT activities if they are not part of its core competencies (Gilley & Rashid, 2000; Steensma & Corley, 2002). Recently, driven by the need to gain access to critical resources, the firms have started outsourcing even their core processes and activities. Thus, this perspective of outsourcing is also considered incomplete.

The *relational view* is a relatively new perspective that focuses on creating value through different form of partnerships. It draws from both the transaction cost and competence-based approaches. According to this view, a firm will outsource if the vendor-client relationship offers *relational rents* generated through inter-firm exchange or sharing of knowledge, capabilities, and assets (Dyer & Singh, 1998). Relational rents are created when partners share, combine or invest their assets, knowledge, or capabilities, and/or employ effective governance to lower their transaction costs or improve synergies. This view may be particularly relevant in case of business process outsourcing where the partner firms are interdependent and have to share valuable knowledge to compete in the global marketplace (Mahnke, Overby, & Vang, 2005).

2.3. HR Issues in the Indian BPO Industry

Irrespective of what drives a firm to outsource, business process outsourcing is growing rapidly. The Indian outsourcing industry has also witnessed tremendous growth over the last few years. India has been a prime location for foreign clients looking for different outsourcing options. This is evident from the large number of outsourcing contracts signed each year, huge investments made by several multinational companies in captive centers and R&D and IT services, and the growing share of Indian industry in the global outsourcing market. But unfortunately, the industry is still struggling with numerous challenges. Where clients are concerned about profits, security, and quality; vendors have to deal with HR-related problems, high costs, and operational issues. Though several companies have taken the initiative in recent years, to solve some of the macro issues such as contract negotiations and client-vendor relations, many micro-level issues such as employee morale, team management, and operational issues still remain unresolved. The problem is aggravated by lack of any systematic research to uncover these problems.

One such issue faced by the Indian outsourcing industry is the effective management of its human resource. Some of the HR issues such as an aching high attrition rate and stress and demotivation are clearly evident. The Indian outsourcing industry experiences attrition rate higher than any other industry in spite of high levels of salary and benefits offered to the employees. Other problems include widespread physical and mental health problems due to stressful job requirements, and lack of employee motivation and satisfaction. Such issues can be extremely detrimental to the client as well as the vendor. The problem would be more pronounced for areas such as offshore customer management services contracts, 85% of which are still voice-based (NelsonHall, 2004). In such cases the employees at vendor's end interact directly with the current or potential customers or employees of the client. Some companies have been able to improve employee satisfaction in recent years by making certain organizational changes. By conducting systematic research, many such issues can be identified and resolved. The problems such as high attrition rate and employee stress are obviously just the symptoms; it would be prudent to diagnose and eliminate the root causes, rather than merely trying to treat the symptoms. In this study, we attempt to uncover the root causes of some of HR-related symptoms.

3. METHOD

We used both primary as well as secondary data for this study. To collect primary data interviews were conducted over a period of three months. Secondary data were obtained from research agencies and a national trade association in India. The sample consisted of 28 employees working with 15 different Indian BPO firms. There were 5 females and 23 males, within 20 years to 43 years (mean = 31.6 years) in age. Respondents' work experience in a BPO firm ranged from 5 months to 7.5 years. Ten respondents came from lower level, 11 from middle level, and seven belonged to the upper level of the firms. The respondents were chosen from different levels within each firm to overcome any response bias due to employee's status in the organization, and to obtain an exhaustive data representing perceptions of all levels of employees.

The data collection method used was semi-structured interview. First, the demographic and job-related information such as respondents' age, gender, company size, and business operations was obtained. Next, we asked open-ended questions about positive and negative aspects of working in the BPO industry and major challenges faced by them (Appendix 1). Each interview, conducted telephonically, lasted approximately 50 minutes.

Content analysis was used to analyze the interview transcripts. The analysis started with unitizing the data. According to Krippendorff (1980), units are wholes that are distinguished and treated as independent elements. Units can be defined in several ways on the basis of categorical, thematic, syntactical, physical, and propositional distinctions. In this study, units were defined on the basis of categorical distinctions and interview transcripts were unitized into distinct meaningful elements by the primary author. These units were then independently examined by both the co-authors who extracted HR-related and other themes and summarized the whole data into fewer meaningful categories. For example, a statement like: "The reason I am sticking to the industry is good salary," was put under the compensation and benefits category. Similarly, "the worst part of the job is the night shifts," was put under job-related. On comparing and discussing the categories identified by each co-author, 10 broad categories emerged. Eight of these categories were related to human resources while the other two pertained to organizational and environmental factors.

For further analysis, the co-authors independently coded the elements as per the identified categories and inter-rater agreement was calculated. After identifying the major categories, relative importance of each category was calculated

based on the frequency with which the respondents mentioned its elements. Data were also analyzed in terms of frequency of positive and negative statements and challenges reported by respondents at each level. Secondary data were gathered from four global research agencies that conduct global and country-specific research on BPO industry. A national trade association was also contacted to gather secondary data on Indian BPO industry.

1. RESULTS AND DISCUSSION

The main themes that emerged from the primary data analysis were: *recruitment and selection, career prospects and developmental opportunities, salary and benefits, performance appraisal, employee well-being, job-design, socio-cultural adjustment, leadership and motivation, organizational environment and processes, and external environment* (Appendix 2). Overall, the co-authors' agreement for the categories ranged from 85-100%. For example, for the theme *salary and benefits*, the co-authors had 100% agreement whereas for *socio-cultural adjustment* the agreement was 85%. As expected, eight of these categories were directly or indirectly related to human resource management.

4.1. Relative Importance of HR Issues

To estimate the relative importance of HR issues compared to other categories, we categorized the themes into four broad categories: (1) HR issues (including seven HR themes), (2) leadership and motivation, (3) organizational environment and processes, and (4) external environment. Based on frequency analysis, HR issues emerged as the most important of all categories, with 62.52% percent of the total comments pertaining to HR-related themes (Table 2). This was followed by organizational environment and processes with about 21% of all comments falling under this category. We also categorized the data by nature of questions. Comments were segregated as 'positive', 'negative', and 'challenges-related' for each level of employment (Table 2). This categorization revealed that majority of 'positive', 'negative', and 'challenges-related' comments made by lower and middle level respondents pertained to HR issues. But for the upper level respondents, majority of positive comments were about the external environment (47.17%), majority of negative comments were HR-related (50.94%), and majority of challenge-related comments were about organizational environment and processes (64.58%). Overall, HR issues, combined with leadership and motivation, emerged as the most important themes at all levels of employment.

4.2. Major Categories

Next we examined the data with respect to the ten distinct themes originally derived. After the categories had been formed, those most important were identified based on the frequency with which the respondents mentioned the elements belonging to each of the categories. For example, *career prospects and development opportunities* emerged as an important category since a large number of comments were made related to this theme. Though there were some differences at the three levels of management on relative importance of the themes, but overall, organizational environment and processes, career prospects and development opportunities, socio-cultural adjustment, and employee well-being were most commonly mentioned. A summary of the key issues for respondents at different levels is provided in table 3. This summary is based on the frequency of the respondents' comments. Table 4 presents a frequency table consisting of frequencies of comments under each of the ten themes, categorized by level of respondents as well as nature of comments. On analyzing the data at multiple levels, various issues specific to each level and category emerged. A discussion of our findings follows in the next part.

4.3. Lower Level Issues

Positive aspects

Respondents employed at the lower level in the Indian outsourcing firms made maximum positive statements about career prospects and development opportunities, followed by those related to salary and benefits, and organization environment and processes. Specifically, the respondents repeatedly mentioned that there were opportunities for career growth, new learning, and improvement of their skills. Good salaries and benefits were also listed as positive aspects of the job, followed by the open and friendly work environment. Thus, opportunity for growth and learning, salary and benefits, and work culture were the major incentives for respondents employed at the entry level in Indian outsourcing firms.

Negative aspects

Respondents employed at the lower levels made maximum negative statements about employee well being, followed by those related to job-design and socio-cultural adjustments. Specifically, the respondents complained about job-stress and fatigue, poor health, and lack of motivation. Night shifts and boring job were mentioned most frequently as negative aspects of their job. Under socio-cultural adjustment lack of social life, intra-team competition, negative attitude of customers, and cultural gap with customers were mentioned. Thus, employees at the lower level perceived stress, job requirements, and socio-cultural adjustments as the most unpleasant aspects of their job.

Challenges

At the lower levels respondents mentioned leadership and motivation, socio-cultural adjustment, and organizational environment and processes as the top three challenges they face. Specifically, the respondents mentioned that it was difficult to motivate people, adapt to changes, and implement changes. They also mentioned that adapting according to the customer's culture (accent, voice etc.), intense competition, and customer handling was very challenging. Other issues included meeting the targets and managing quality issues of the client.

Thus, the major challenges perceived by the lower level employees pertained to change and motivation, customer handling, and meeting targets and quality standards.

4.4. Middle Level Issues

Positive aspects

Similar to the lower level employees, middle level respondents also made maximum positive statements about career prospects and development opportunities, followed by those related to salary and benefits, and organization environment and processes. Specifically, the respondents repeatedly mentioned that there were opportunities for fast career growth, training and skill development, and gaining experience. Good salaries and organizational facilities were also listed as positive aspects of the job, followed by the open and friendly work environment and chance to work with reputed multinational companies. Thus, opportunity for fast growth and learning, salary and work facilities, and work culture were the major incentives for respondents employed at middle level.

Negative aspects

Respondents employed at the middle levels made maximum negative statements about socio-cultural adjustments, followed by employee well being, career prospects and development opportunities, and organizational environment and processes. Specifically, the respondents were unhappy about having no personal life, negative employee attitudes, and adjusting to client culture. They also mentioned work pressures, lack of motivation, and health issues. Insufficient training, career stagnation, and job-insecurity were also cited as the negative aspects of their job. Thus, employees at the middle level perceived social factors, work pressures, and lack of career development as their major concerns.

Challenges

At the middle level, respondents mentioned organizational environment and processes, leadership and motivation, and recruitment and selection as the top three challenges they face. Specifically, the respondents mentioned that it was difficult to meet targets and client demand, implement policies, and handle HR-related operational issues. They also cited motivating employees and managing teams as a major challenge. Coping with attrition and absenteeism were mentioned as other critical challenges. Thus, the major challenges perceived by the middle level employees pertained to operational issues, motivation and team handling, and turnover and absenteeism.

4.5. Upper Level Issues

Positive aspects

The comments obtained from respondents at upper level in the firms showed a different pattern compared to lower and middle level respondents. The upper level employees made maximum positive statements about external environment, followed by career prospects and development opportunities, and recruitment and selection. Specifically, the respondents mentioned new business opportunities and clients, time advantage, and ease of setting up the

operations. They also commented on growth prospects and learning, and availability of good manpower. Thus, upper level employees were highly optimistic about the future growth prospects of the outsourcing industry and manpower availability.

Negative aspects

Respondents employed at the upper level made maximum negative statements about organizational environment and processes, job-design, and employee well being. Some specific comments made by them pertained to high costs, client demands, and operational issues. Other negative comments were related to tough job-requirements, high skill requirements, and employee dissatisfaction. Thus, employees at the upper level were more concerned with operational issues such as keeping costs down and meeting client demands, followed by issues related to high skill requirements and employee dissatisfaction.

Challenges

Similar to the responses obtained from the middle level employees, upper level employees also cited organizational environment and processes, leadership and motivation, and recruitment and selection as the three major challenges. Specifically, the respondents mentioned that it was difficult to keep the costs down, negotiate with clients and meet their standards, and handle operational issues. Motivating employees to perform well and handling teams were the other concerns cited. Finally, attrition and finding the required skill-set were mentioned as some other problems faced by them. Thus, the major challenges perceived by the upper level employees pertained to managing costs and business operations, managing clients, motivation and team handling, and finding and retaining good employees.

5. IMPLICATIONS

5.1. Major Issues at Different Levels

The results of the study confirmed that majority of the micro-level issues in Indian BPO firms are HR related. At all the levels employees talked mostly about issues related to HR and leadership and motivation. It is interesting to note that both lower and middle level employees emphasized opportunities for career growth and skill development as the most important positive aspect of their job. Salary and benefits came next. But in case of negative aspects, middle level employees listed career stagnation as one of their prime concerns also. Thus, it seems that employees enter the outsourcing job market for career growth and good salaries, but on reaching the middle levels within the organizations, employees get concerned about their further career growth. Though middle level respondents made maximum comments about career prospects and learning opportunities, they also felt insecure about their jobs, experienced stagnation, and felt inadequately trained. The respondents at this level also reported stress, work-pressures, and problems with client and employee handling. The challenges faced by them related to employee handling and operational issues.

Thus, it seems that at the lower level, majority of the problems are due to job-characteristics, but at the middle level, things are more complex. There seems to be lack of proper training to prepare the employees for moving up to middle level jobs. The most important intervention by firms at this point might be to design a training and development program after comprehensive needs analysis. Firms should train their middle level employees for team-handling, cultural adjustments, and leadership and motivation. This would resolve many issues at both lower and middle levels. Client should be involved in such training and development programs, and training at clients' end should also be arranged so that the employees get accustomed to clients' culture and management approach. Additionally, involving the middle management in contract development and negotiation process and managerial decision-making is also recommended. It would not only boost employee morale, but could also provide the management access to innovative ideas and employee support. Apart from training and participation in decision-making, outsourcing firms should also encourage career planning and management. The client should also take a more active part in vendor's HR policies and systems, and should ensure that the HR strategy of the vendor is consistent with client goals and strategy.

5.2. Distinct Issues at Upper Level

Respondents at the upper level cited concerns other than those mentioned by lower and middle level employees. For example, upper level respondents mentioned maximum positive statements about external environment. Similarly, only about 50% of all negative statements made by upper level employees were about HR, compared to 86% and

79% by lower and middle level employees, respectively. Upper level employees were more concerned about organizational and external environment issues compared to HR issues. These employees perceived work environment and processes as most challenging. These results might be due to the fact that upper level employees have to deal with organizational and environmental issues more often compared to the other two levels. But the results might be indicative of a gap or divide among the levels. It might be possible that the upper level executives get so engrossed in the operational and strategic issues that the critical employee-level issues go unnoticed. This could have serious implications for business in the long term. The firms need to build a culture of open communication, transparency, and participation where top management is aware of the issues important to employees. This may be done by encouraging employee participation in decision-making, providing incentives for knowledge sharing, and having an open-door policy.

5.3 Biggest Challenges for Practice

In summary the biggest challenges were related to stress, leadership and motivation, turnover and absenteeism, job-characteristics, socio-cultural aspects, and operational issues. Most of these issues are interrelated and have direct or indirect impact on each other. For example, the tough job-requirements are a major source of employee stress. Employee stress and inability to adjust to clients' culture might result in high turnover. Most of these problems are just symptoms, indicative of more fundamental problems inherent in faulty organizational policies and systems. An example can be the problem of stress and turnover. One of the reasons for the unusually high attrition rate of the outsourcing industry might be inadequate recruitment and selection system. It is imperative that selections to outsourcing jobs are based on education as well as other criteria such as personality and ability to handle stress. But such diagnostic tools are rarely used for selection purposes. Similarly, inadequate training and development system, outdated promotion policies, insensitive performance appraisal systems, and archaic management processes all have a detrimental impact on human resources. Generally, outsourcing firms usually try to make a single approach fit all irrespective of nature of organization (individual or team based) or the nature of employees (call center employees or KPO employees). Outsourcing firms need to customize and innovate to survive in the long run.

5.4. Implications for Research

Our study has several important implications for researchers as well. The study highlights the importance of human resource management and the ironical neglect of the same in Indian outsourcing environment. More research is needed to validate the findings of this study and to examine the issues within different contexts. It would be interesting to see if other outsourcing destinations such as China and Philippines face similar issues. This would make it possible to draw implications about the generalizability of our results.

Another extension of the research would be to conduct an empirical study to examine the interrelationships and causalities of the identified issues. For example, how are employee well-being and turnover related? How critical is the role of leader in turnover and employee stress? Such empirical examination would be extremely helpful to researchers as well as practitioners in understanding employee behavior and outcomes within outsourcing firms.

The results also point to the need for a more active role of human resource researchers in investigating different issues in the emerging industries such as the outsourcing. The organizations that operate in such industries have their own dynamics that are unique and very different from earlier organizations that faced comparatively stable environments. As is evident for our results, fresh look at the human resource practices and systems is required for such firms since the traditional methods are no longer effective.

6. RECOMMENDATIONS

Based on the above discussion, the following recommendations are made pertaining to the areas that require the most attention from managers. The vendors need to take action in the following areas.

6.1. Training and Development

Vendors need to have an effective training need-analysis system in place that would identify the current and future trainings need at all levels of management and provide training programs tailored to those needs. A training evaluation system should also be in place.

6.2. Active Participation of Middle-Level Managers in Decision-Making

If a firm is not able to take advantage of the expertise and ideas of its people, it is most unfortunate for the firm as well as the employees. By involving middle-level managers in decisions related to recruitment and selection policies, training need-assessment and evaluation and so on, a vendor firm can significantly enhance its outcomes and employee morale.

6.3. Career Planning

People at lower and middle level are extremely concerned about where they are headed in terms of career. Vendors need to design transparent career progressions for employees at all levels and provide resources such as training to help employees plan their careers and lives.

6.4. Client Involvement in Training, Recruitment and Selection, and Evaluation

A good idea would be involving the clients and benefit from already established global systems they have such as communications system or recruitment and selection processes. In return, client can barter for some other resource that the vendor possesses for a win-win situation for both the parties.

6.5. Open Communication and Accessibility to Supervisor and Managers

A critical issue that has emerged is that it seems the upper management is not aware of the ground level concerns. Most of the issues related to motivation, implementation, and human resources can be resolved just by giving a good “hearing” to the employees. Communication and accessibility can influence the fairness and justice perceptions of the employees and affect their behavior and intentions to leave.

6.6. Improved Recruitment and Selection Policies

Lastly, a sophisticated recruitment and selection system tailored to the current requirements is a must. There is need to look into the selection criteria used, selection procedures used, and the kind of candidate profiles needed. Firms should re-engineer their processes based on research and empirical analysis of their own recruitment and selection outcomes in the past.

In conclusion, employee concerns in Indian outsourcing firms need to be taken seriously and systematic efforts should be made to address them. In doing so, not only would the firms remain profitable and successful, but would also be fulfilling their social obligations towards their community and society at large. It is sad to observe that where the western world has long ago discarded Taylor’s production-based management approach in favor of more human-based approaches, outsourcing firms in many countries like India and China are reverting back to Taylorism. We hope this study will help bring to the forefront some concerns of employees working in Indian outsourcing firms. We also hope that the issues explored in this study will provide an impetus for future research to academicians, and insights to practitioners about various issues faced by the employees in outsourcing firms.

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Figure 1

Theoretical Perspectives on Outsourcing

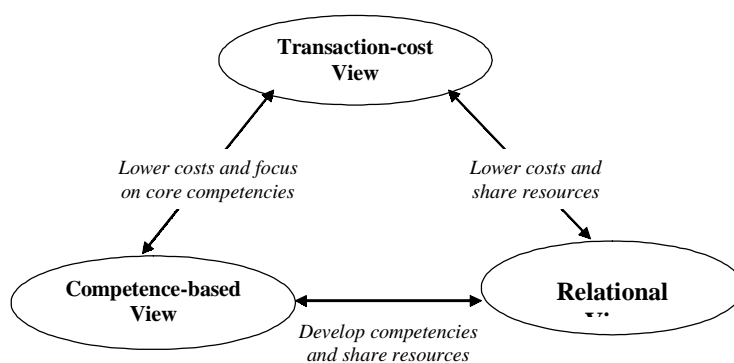


Table 1

India's Competitive Position Relative to Other Countries

Ratings	Country India	China	Israel	Africa	South Ireland Russia	Northern Ireland	Republic	Czech Poland	Hungary
Government Support	E	F	G	F	VG	VG	P F	F	P
Labor Pool VG	E	G	G	F	G	G	F	G	G
Infrastructure P	F	P	VG	F	VG	VG	F	F	P
Education VG System	VG	F	VG	G	VG	VG	G	G	F
Cost E	E	E	F	VG	G	F	VG	G	VG
Political F Stability	F	P	F	G	E	VG	G	F	F
Cultural F Compatibility	P	VG	E	E	E	VG	VG	VG	G
Data/IP P Security	G	P	VG	G	E	E	F	F	F
Overall P Climate	VG	P	F	F	G	G	F	F	P

Note: P = Poor; F = Fair; G = Good; VG = Very Good; and E = Excellent.

Source: Gartner (2004).

Table 2

Percentage of comments made by respondents under different broad categories

Levels of Management	Human Resource Issues (%)	Leadership and Motivation (%)	Organizational Environment and Processes (%)	External Environment (%)
Positive Comments				
Lower	79.17	0.00	20.83	0.00
Middle	86.25	0.00	12.50	0.00
Upper	42.59	0.00	5.66	47.17
Total	72.33	0.00	13.66	12.20
Negative Comments				
Lower	86.30	2.74	10.96	0.00
Middle	78.72	6.38	13.83	1.06
Upper	50.94	0.00	24.53	24.53
Total	74.55	3.64	15.45	6.36
Challenges				
Lower	50.00	26.19	19.05	4.76
Middle	36.51	26.98	33.33	3.17
Upper	10.42	18.75	64.58	6.25
Total	32.03	24.18	39.22	4.58
Total comments	62.52	7.79	21.11	7.96

Note: The percentages for each employment level are calculated by dividing the number of comments under each category by the total number of comments under all categories (made by respondents at each level). The percentages are nearest approximation so may not be completely additive. The percentages shown in **bold** are the highest percentages in their respective categories.

Table 3

Key Issues at Lower, Middle, and Upper Employment Levels of Indian BPO Firms

	Lower Management	Middle Management	Upper Management
Positive Aspects	Career prospects and development opportunities Salary and benefits Work environment	Career prospects and development opportunities Salary and benefits Work environment	Favorable environment Growth prospects Manpower availability
Negative Aspects	Employee well-being Tough job requirements Socio-cultural adjustment Targets; changing policies	Socio-cultural adjustments Career prospects and development opportunities Employee well-being Decision-making; client demands	Costs; client demands Competition; unpredictability Tough job requirements Employee well-being
	Leadership and motivation Challenges Socio-cultural adjustment Targets; quality issues	Operational issues; targets Leadership and motivation Turnover; absenteeism	Maintaining cost advantage Leadership and motivation Turnover

Note: The key issues are derived on the basis of frequency of respondents' responses, i.e., how often the respondents cited these issues during the interviews. The issues are listed in order of their frequency.

Table 4

Frequency table of the respondents' comments pertaining to each category

Major Categories derived from respondents' comments									
ment :tion	Career Prospects & Development	Performance Appraisal	Salary & Benefits	Employee Well-Being	Job-Design	Socio- Cultural Adjustment	Leadership & Motivation	Org. Environ & Processes	External Environ.
POSITIVE COMMENTS									
	28	4	17	0	0	3	0	15	0
	42	2	16	0	0	8	0	10	0
	13	0	3	0	0	3	0	3	25
	83	6	36	0	0	14	0	28	25
NEGATIVE COMMENTS									
	7	6	2	18	12	12	2	8	0
	14	7	1	14	11	18	6	13	1
	0	0	0	6	12	5	0	13	13
	21	13	3	38	35	35	8	34	14
CHALLENGES-RELATED COMMENTS									
	3	0	0	5	3	9	11	8	2
	1	4	0	3	0	5	17	21	2
	0	0	0	0	0	0	9	31	3
	4	4	0	8	3	14	37	60	7
	108	23	39	46	38	63	45	122	46

APPENDIX 1

Interview Questions

1. What are the positive aspects of working in BPO job/industry?
2. What are the negative aspects of working in BPO job/industry?
3. What are the major challenges faced by you in your organization?
4. Any other information that you would like to share?

APPENDIX 2

Major Themes	Sample of Interviewees' Statements
Recruitment and Selection	<p><i>"it is difficult to stop people from leaving"</i></p> <p><i>"they just look at the skills and a minimum qualification"</i></p>
Career Prospects and Development Opportunities	<p><i>"in just about 3 years I was able to reach assistant manager level"</i></p> <p><i>"gives you lots of experience and learning"</i></p>
Performance Appraisal	<p><i>"giving feedback, specially negative feedback to employees is a problem, we have to portray it positively somehow"</i></p> <p><i>"lots of bad policies- no promotions for first 6 months"</i></p>
Compensation and Benefits	<p><i>"need to get some cash stuff, that's the reason I am sticking to it"</i></p> <p><i>"they try to trap you in stupid payoff schemes; incentives that you never get on time"</i></p>
Employee Well-Being	<p><i>"sometimes the work pressures are just too much"</i></p> <p><i>"due to stress employees also retort back that affects their PA, company reputation"</i></p>
Job-Design	<p><i>"the only part not so good was the shifts"</i></p> <p><i>"same job everyday-monotonous and boring"</i></p>
Socio-Cultural Factors	<p><i>"there are a bunch of customers who just don't want to talk to an "Indian"; handling them is a problem"</i></p> <p><i>"customer care issues like cultural differences need to be addressed"</i></p>
Leadership and Motivation	<p><i>"resolving team problems requires patience "</i></p> <p><i>"motivating the work force, keeping their spirits high is the biggest challenge"</i></p>
Organizational Environment and Processes	<p><i>"very good, open, and friendly culture"</i></p> <p><i>"the work environment is good"</i></p>
External Environment	<p><i>"outsourcing might shift to China, Philippines etc. as cost factors are increasing"</i></p> <p><i>"competition from captive sector"</i></p>