
HR Challenges in BPO Industry

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Abstract

There is no dearth of Human Resource in the country and ever as India prepares to take on a more hands on role in the global economy, its young and vibrant workforce is raring to go. The situation is visibly different from just a few years ago, when Indians were merely relegated to the status of being the back office of the world or an even simpler "cheap work force". Thanks to an economy growing at 9% per annum, India is expanding like crazy and seeking to become globally competitive.

But every change brings with it, its share of challenges. The upwardly mobile workforce is being spoilt for choice, leading to even high attrition rates. And talent it appears is unable to keep pace with the blistering growth rate of Corporate India. The fight for talent has compelled companies to move beyond traditional methods of recruiting to create portfolio of talent sourcing avenues.

Companies across sectors are ramping up their operations and capacities due to which a greater need is being felt to map the labor market from the strategic planning process. But creating strategies and sourcing employees alone is not going to work in today's business scenario.

The main focus of this paper is to gain an in-depth insight into the process of discovering, harnessing and developing of the human capital to the benefit of both the individual and the organization into today's highly dynamic and competitive business world through a comprehensive study and analysis of the Recruitment and Selection techniques .

Introduction

Growing awareness of human capital is an acknowledgement by enterprises, which uphold the fact that employees represent a critical investment (asset) rather than an administrative expense. Leading HR heads now speak the language of the CFO and the CEO. This is allowing for better communication about the value of HR strategies, enabling increased investment in employee development and better alignment of employee objectives and business objectives. The evolution of HR to the next higher level is thus clear and certain.

The trouble lies in the fact that while many organizations do a great job of defining what needs to be done,

most of them can't show how the workforce contributes to those goals or adds value to the organization.

As HR evolves as a crucial business archetype, HR challenges too have kept pace. Today HR challenges are different from what they used to be. Skilled people recruitment and retention, updating of knowledge, training, and provision of likeable rather than mere suitable working environment have caught the imagination of manpower hunters.

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Moreover, a modern employee demands value addition to his career, competitive compensation, continuous information availability, and proactive resolution of individual and collective needs. As such the HR executives burn their midnight oil to devise strategies for aligning individual goals with corporate objectives, making the staff feel that they are part of the corporate vision.

Others view the problem differently. Employee productivity and strategic employee behaviour pose a serious challenge to the HR department and the organization as a whole more than any thing else resulting in diminishing net revenue per employee of various organizations.

One of the biggest challenges facing most businesses today is the acquisition, upgradation and retention of talent. Modern HR challenges are rather business specific. A BPO might be assured of a continuous supply of manpower, financial advisory services and specialized IT consultancy. However, the firm may yet languish for want of skilled manpower.

Facilities Provided By Most of BPO'S

- Provident Fund
- Subsidised food and Transportation
- Recreation facilities
- Performance based incentives
- Congenial Work Environment
- Attractive Life Style
- Medclaim Insurance Scheme
- Company Ledged Accommodation
- Educational Benefits
- Flexitime
- Fringe Benefits

In spite of all these facilities, the attrition rate in BPO industry is very high, why? What is the reason

for an employee to leave? These and many more are the questions that need immediate attention from the industrial gurus. Why people prefer to join BPO's? In general a person with any graduation can join any of the BPO. Some BPO's like to take people with MBA but then again the specialization of an individual hardly makes any difference. Again, this is the industry, where there is no reference checks and very often people don't even specify their exact age.

Why people leave the BPO's? When there are so many benefits associated with BPO industry? When there are so many privileges for the BPO employees then what makes them to change the company/ industry?? Is it only MONEY that matters or anything else as well?? Here are some of the reasons for a BPO professional to change his/her job.

Reasons for People Leaving BPO's

- No Growth Opportunity / Lack of Promotion
- For Higher Salary
- For Higher Education
- Misguidance by the Company
- Policies and Procedures are not Conducive
- No Personal Life
- Physical Strains
- Uneasy Relationship with Managers / Peers

Taking these issues into consideration, which were provided by employees working in this Sector, there are certain other areas which the HR personnel should seriously take into consideration for betterment of this sector.

HR Challenges in BPO

- High level of Attrition
- Mismatch of Expectations
- High Training Costs

- Benchmarks
- Lack of Focussed Training & Certifications
- Not a serious Career Option
- Communication Issue
- Brand Equity
- Customer Companies

High level of Attrition:

While India does have a large talent pool (annually 167,000 engineering students and 1.54 million graduates pass out of the country's educational institutions), not all are 'industry-ready' or equipped with the necessary skill sets to become useful to the companies. This means that while there is plenty of supply at the entry level (voice processes), there are huge gaps in the middle management and senior management levels. This has resulted in increased levels of poaching and attrition cases. Presently, the average attrition rate faced by this industry is somewhere around 30-35 percent.

The attrition rate in non-voice processes is significantly lower than voice processes, in which the industry average is somewhere around 35-40 percent. In the case of data-based activities, the attrition rate is not very high with the industry average being about 10 percent.

It is believed that the industry is witnessing an attrition level as high as 60 percent. One would not find a person in the BPO industry working with the same company for four to five years. In this period, on an average, people would have changed three to four jobs.

Recruitment reduces once the organisation is able to keep the loyalty of the employees. Attrition remains an enormous challenge as the average BPO attrition rate was 30-35 percent in 2005.

A Nasscom Hewitt-Associates Survey shows that the cost of attrition is 1.5 times the annual salary of an employee. Costs are due to loss of productivity,

temporary replacement, loss of knowledge and new recruitment and training.

The attrition rate is linked to a number of causes, one being the average age of the employee. 87 percent of the BPO employees are under the age of 30. In the article Managing attrition in BPO, authors Anirban Majumdar and Kamal Poddar of the Institute of Management in Kozhikode, Kerala, state that attrition is linked to career opportunities. Only 10 out of every 100 people will ever make it to consultant level and one out of every 100 to line manager.

Their research shows that the job is stressful as employees are moved from one process to another with little time to adjust. The work environment has rigid rules and strict monitoring and employees become affected by sleep disturbances due to working irregular hours.

Last but not least, regular poaching by competitors contributes to employees leaving the organisation for a better salary, a better position or career opportunities.

The views of research industry leader, Gartner point the way to the future of this dynamic segment of the Indian knowledge industry. Single process outsourcing successes have morphed into comprehensive end to end services with more and more process optimisation resulting in higher value addition. Platform BPO solutions have also begun to substantially improve the quality and speed of new process migration offshore and multi-function BPO as well as comprehensive human resource outsourcing have moved to the very apex of the "hype Cycle".

There are quite a few challenges emerging as well. The abrupt rise of the rupee against the dollar and pound have left many young BPO firms gasping for breath and the inherently lower profitability of this segment compared to the industry majors in IT services puts most players at risk with the dollar likely to seek lower and lower levels against the rupee in the next 18 months or so.

Business transformation consulting, which seemed to be the logical next wave as more and more Knowledge Process Outsourcing wannabe firms emerged has dipped into the trough of disillusionment

that follows the peak of inflated expectations in the Gartner hype cycle. If the industry has to continue to maintain a profitability level a study by McKinsey suggests that many critical parameters of operational excellence—shift utilisation, productivity, support costs, span of control and the ever present Damocles sword of attrition — have to be put under the microscope.

There is an old Chinese curse “May you live in interesting times” and these are definitely that. The paradox is that a segment of the industry which benefited in its initial days through its umbilical cord connection with the IT sector is now concerned that the withdrawal of tax benefits may result in making the Indian BPO sector less competitive than China and Eastern Europe, which are nipping at our heels. Maybe better sense will prevail and the sunrise industries will get continued support from the powers that be—let's wait and see.

In the Indian ITES sector, as many as 200 personnel are hired every working day of the year. As per Nasscom's annual market intelligence study—Strategic Review 2003, there would be a requirement of 1.1 million professionals in the ITES-BPO segment by the year 2008. While this might spell good news in terms of growing employment opportunities, it also means increasing challenges for the HR managers of this industry. In its nascent stages, the BPO industry did enjoy a positive demand-supply situation favorable to the companies.

However, intense competition in the industry has changed the scenario to a certain extent. From just hiring anyone and everyone (due to shortage of manpower), the requirement presently is for professionals with more domain-specific skill sets and business analysts with programming skills. This trend clearly reflects that Indian ITES companies are tapping high-value service segments.

Not a serious career option:

Another very critical issue of concern for HR managers is that most students and professionals working in call centres do not see this industry as a long-term career option. This was also revealed in a recent study conducted by NFO India, part of NFO WorldGroup, and PeopleEquity Consulting, a Bangalore-based HR consultancy. Due to the inherent

nature of the job (monotonous and lacking challenges), most of the time there is low interest in the work.

Mismatch of expectations:

Expectations mismatch leads to higher attrition. This is partly due to the perceptions created in the general public with respect to the career growth, type of work, compensations offered, competition, etc. Many a times, people are not able to create a work-life balance and often opt out. An effective way to deal with these challenges is to position the ITES/BPO industry as a meaningful career opportunity for young agents/associates. The right positioning will help attract the right profile of agents, it will automatically manage their expectations from the industry and this will in turn lead to lower attrition rates.

Communication issue:

Lack of effective communication is another contentious issue. Handling a large number of employees does lead to communication gaps in BPO companies. The absence of regular, two-way communication between agents, their immediate team managers and the senior management is a common complaint and one of the reasons for high attrition rates in the industry.

High Training Costs:

On an average, BPO companies incur three types of training costs—voice/ accent, soft skills and process training. For a start-up, in the initial stage the training costs maybe high as the company may have to outsource the voice/accent and soft skills training. Process training in the case of start-ups is usually done by process trainers from the customers' side while the BPO company has to bear the expenses. However, on reaching a stable growth stage, companies are able to build up a resource base and avoid outsourcing.

Training is very important in this industry, due to the nature of job and the kind of requirements, which an employee has to fulfill. It generally accounts for four months salary of the agent hired, though the actual training would probably be for just for a month. In the last two years, the training cost has grown by 45 percent as against total cost of one employee which has grown by 190 per cent. Due to this, the

industry is facing a major problem as it is unable to source the requisite trained manpower.

Brand equity: People still consider BPO to be "low brow", thus making it difficult to attract the best talent.

Standard pre-job training: Again, due to the wide variety of the jobs, lack of general clarity on skill sets, etc, there is no standard curriculum, which could be designed and followed.

Benchmarks: There are hardly any benchmarks for compensation and benefits, performance or HR policies. Everyone is charting their own course.

Customer-companies tend to demand better results from outsourcing partners than what they could actually expect from their own departments. When the job is being done 10,000 miles away, demands on parameters such as quality, turn around timeliness, information security, business continuity and disaster recovery, etc, are far higher than at home. So, how to be more efficient than the original?

Lack of focused training and certifications

Given this background, the recruiting and compensation challenges of HR departments are only understandable.

Solutions for HR

Moving towards B class cities: Due to the high demand and supply gap and scaling attrition numbers, many companies are moving towards 'B class' cities like Chandigarh, Bhopal, Lucknow and Dehradun, to attract talent and set up their operations. There is also a change in employee profile, with organisations looking for older and experienced people who will bring in stability. The requirement is for those people for whom salary is not just a pocket money, but a career opportunity. The ideal employees for BPOs would be people from middle and lower-middle income households, who are willing to work hard and have a strong sense of responsibility and dedication towards their employers. Initially though it might lead to scaling of training costs (upto 30-40 percent), as this section might lack in basic communication and soft skills. But the effort would be worth it, believe experts.

Solutions for HR Professionals

- Formation of Forums
- Educating about career opportunities
- Government initiatives
- Ensuring and Upgrading Quality
- Improving Employability
- Fostering Creativity
- Building Global Organisations
- Developing "Soft" Skills
- Developing Leaders
- Attracting and Retaining Talents
- Generating Motivation and Increasing efficiency
- Job Satisfaction
- Recruitment Process

Job Satisfaction:

Job satisfaction is one of the most important links to retaining employees.

In order to manage the expectations of the recruit, the job description and role of the employee in the organization should be clear when entering the organization.

A Tesco employee segmentation survey in 2005 indicates that there are five broad attitude segments of people working within their workforce: 25 percent work-life balancers; 25 percent want it all; 18 percent pleasure seekers; 16 percent live to work and 16 percent work to live.

By understanding the drives and needs of each segment the organisation can tailor the employment proposition to improve retention.

People-oriented

The daily reality and the challenges for HR managers in India are truly different from challenges faced in the West. Even though the attrition rate is high in India, HR managers are very people-oriented, while their western colleagues are far more process and task oriented. The happiness of the employee and consequently the well-being of his extended family are important to the Indian organisation. The employee is given leave to take his mother to the hospital regardless of whether other siblings are available to do so. The employee is allowed to attend the wedding of a neighbour or to go and mourn a family member on the other side of the country.

The well-being of the employee on a personal level is of benefit to the organisation. Western HR managers may learn from this and take this into consideration when working with Indian colleagues.

The recruitment process

In the end it all boils down to the recruitment process. Companies look at the business requirements first. They make sure that the job profile they are looking for not only matches with the skills and competencies but also the job expectations of the candidate. An open discussion with the candidate gives insight into how long he will be staying with them.

Formation of forums:

To prevent poaching/ swapping and manage recruitment consultants in the market, many companies have formed forums. One such has already been set up in Hyderabad and other cities are likely to follow suit.

Educating about career opportunities:

The common misconception is that there are only three positions in call centres—that of an agent, a team leader and the project leader. There is however more to it. There is an immense opportunity for professionals with a CA or MBA background: An individual can choose from managing quality, get into training, Six Sigma process, problem solving equations, relationship management, HR and workflow activities or business development.

It is necessary to communicate to the agents that there is a clear growth path for them in the next five years and an agent need not retire as an agent from the company. In terms of growth opportunities, data management, transaction processing and other back-office support activities are really going to be the key growth drivers for the offshore BPO industry in India.

Government initiatives

Nasscom has recently started a project with different private players (like Wipro, EXL, GE), training institutes and academia in Andhra Pradesh, Karnataka and Kerala, for preparing an "employable" ITES workforce. The Kerala Government, under its PeopleFIRST initiative, plans to create readily available employable manpower for the ITES industry. Such an initiative will open up large employment opportunities in various disciplines in the ITES sector, empowering students with industry-relevant skill sets. It will help chart out indicative domain-wise manpower requirement projections from the industry. Skill set standardisation, government recognised certification in ITES, inclusion of ITES as a discipline in graduate studies by universities, etc, will help in making ITES as a career choice by students. In addition, states like Tamil Nadu, Maharashtra and West Bengal are also looking for such an option.

In the future, HR managers have to continuously evolve career paths, motivate their employees and create a culture of oneness, which will also act as retention tools. In case of training, there would be an emergence of specialised training institutes with the customer care skills being outsourced to many training companies.

Ensuring and Upgrading Quality

While numbers will not be a serious impediment, the same cannot be said about quality. It is true that some Indian institutions (the IITs and IIMs, in particular) have established an enviable world-wide reputation for turning out top-quality professionals. However, the average engineering graduate is hardly of world-class, and the average non-technical graduate is of distinctly inferior quality. The curriculum in most universities is obsolete, as are the texts. The quality of faculty and of infrastructure (laboratories,

equipment, etc.) is poor, and the pedagogic methods and materials are completely inadequate.

As the IT industry moves beyond tapping the talent in the best campuses, to recruiting large numbers from second and third rung institutes, the challenge of quality is going to be a major one. Urgent steps are needed to upgrade the physical and intellectual infrastructure of colleges, and also the syllabi and teaching materials/methods.

The government has launched a Rs. 1500 crores Technical Education Quality Improvement Programme, with help from The World Bank. It is also upgrading 17 National Institutes of Technology (formerly Regional Engineering Colleges). These initiatives should be of some help in upgrading quality.

It is essential that industry work with academic institutions in the continuous updating of syllabi and ensuring relevance. Industry could also provide attachments and internships to both students and faculty so as to create greater motivation. Well-funded chairs and research grants will serve to attract and retain good faculty.

Improving Employability

Despite the large number of students graduating, it is not uncommon to hear companies complain about not finding suitable candidates. The updating of syllabi and ensuring relevant content would be useful. In addition, it would be worthwhile to include some basic IT courses for the Science and Mathematics students. In fact, such courses could be introduced even for Commerce and Economics students. This would enable graduates in these streams to be considered for employment in a number of IT-enabled services (ITES) and back-office/business process outsourcing (BPO) jobs.

Introduction of courses in international accounting practices/standards (including US GAAP) for Commerce students would greatly enhance the pool of readily-employable people for the IT industry.

Good language skills (particularly English, but potentially also in Spanish, French, German and Japanese) is one of the requirements of the booming ITES/BPO sector, and one of the opportunities for the

education system, including private training institutions. So far, this industry has been concentrated in just 4 or 5 of the metros. Its long-term growth, however, depends upon moving large parts of its operations to smaller cities. One of the major challenges is to find enough people with good language skills in these cities. This is potentially a major problem for the whole ITES/BPO industry.

Developing "Soft" Skills

One of the comments often heard about Indian IT professionals is that their skills in their core function are excellent, but that they lack other capabilities. As the industry grows, it is essential that IT professionals be more rounded personalities. In particular, it is important that they improve articulation - both oral and written - become a little more aggressive (though not abrasive) and develop social skills. As the focus of the work moves from mere code-writing to consulting, problem-definition, system integration and project management, there is need for adding other capabilities to the repertoire of technical skills. The development of such soft skills (amongst at least a core of top performers) must become a priority for IT companies.

Marketing, in a broad sense of the term, is another essential skill. While specialists in this discipline - e.g., MBAs - may often be used, there are many situations in which the "marketing" is of a complex solution, and can best be done by the technical expert. In a changing and interestingly competitive international scenario, as well as the need to create a domestic market for IT, marketing is going to assume far greater importance.

Team-work is another essential soft skill. With more complex projects, teams are the norm and efficient delivery requires smooth team-work. The added requirement now is that the teams are often international. Cross-cultural skills and cultural sensitivity are, therefore, of special importance.

While the development of these soft skills needs to become an integral part of education, in the immediate future much of it will have to be done in-service. Corporates will have to create in-house programmes or find suitable agencies to out-source the training of their employees in these areas.

Attracting and Retaining Talent

The IT industry has, during the last decade, been probably the most attractive sector to work in. It has, therefore, been able to get the best talent. The challenge now is to safeguard and build on this prime position. Attractive compensation, challenging assignments, good working conditions and growth opportunities are amongst the main determinants of where talent gravitates. Taking care of these parameters is a necessary task for the IT industry.

Retaining talent is a major challenge for companies, especially in a growth boom, when a lot of "seduction" of employees between one company and another is commonplace. However, the attrition rate for the industry as whole, (i.e., people moving out of IT into other industry sectors) has been low. Even so, this will continue to be a challenge at both levels: for the individual company and the industry.

The IT industry has provided an excellent physical work-environment. It needs to continue to be a leader in providing these facilities, including food, fitness and sports facilities. While these "add-ons" are not inconsequential, work satisfaction through challenging, cutting-edge assignments, and substantial growth prospects are definitely major determinants for retention. Providing these is critical, and is of particular importance in the ITES/BPO sector, where attrition rates tend to be high for just these reasons.

Compensation is probably the single most important parameter in most cases. The challenge here is to provide an attractive package in the context of rising expectations, and yet minimise overall cost escalation. In this situation, "poaching" people from other companies by offering higher pay packages is self-defeating for the industry as a whole. An important corrective lies in ensuring an ever-growing and sufficiently large supply pipeline of fresh entrants.

Generating Motivation and Increasing Efficiency

Motivating individuals is amongst the most vital tasks of a leader. While this is easier in some circumstances, it is far more difficult in situations where the job is repetitive and routine, as is the case in many ITES/BPO operations. This is where there is

a real challenge to managers. This is particularly important because a key part of India's value proposition as the outsourcing destination is based on productivity and quality - factors that depend critically on motivation.

Empowering, engaging and energizing employees are established ways of creating effectiveness and efficiency through motivation. Organizational structures, systems, and procedures are facilitators of these, and companies need to focus greater attention on these aspects.

Building Global Organisations

As Indian IT companies grow, and enter new geographies, they will need to become truly international. Their delivery models too will need this, as customers push for multi-country disaster recovery sites. Also, they will need to increasingly tap the best talent from whichever country it is available. These factors, and the possibility of inorganic growth by acquiring foreign companies, will all dictate the increasing globalisation of Indian IT companies. To do this successfully, they will have to modify and adapt their structure and organisational culture to be able to absorb and draw the best from professionals of different nationalities and cultures. A basic change in mind-set is needed for this to happen successfully, and this is a major challenge for home-grown, very "Indian" companies: how to transform into global corporations without losing the positive values and culture that they have developed.

Developing Leaders

A major challenge for the Indian IT industry is developing true leaders. The industry has evolved and grown rapidly through the vision and leadership skills of a few key individuals. In many companies, a change of guard is now taking place or due, as a new generation begins to take the reins. How to ensure that strong leadership continues and is available down the organisational hierarchy? This is going to be a key issue, as the industry grows and needs not a few dozens, but hundreds of leaders. The challenge of creating the leaders of tomorrow is a major one, especially as the problems and issues move from the technical to the socio-economic and even to the

political. Managing the environment - often an adverse environment - is going to be an increasingly major task of leadership. This is not a challenge with easy solutions, but clearly it is a critical one.

Fostering Creativity

The final challenge that we discuss here is one that is going to be increasingly important: developing creativity. As the Indian IT industry moves into a higher orbit, it will have to focus greater attention on creating new solutions, technologies and providing thought-leadership. This is very different from working within defined boundaries or servicing existing software products. This is critical for India's on-going success, even though only a small proportion of IT professionals work in such new and creative tasks. Supporting and encouraging creativity is, therefore, essential. Facilitating this in well-defined organisational and work structures is not easy, and is going to require perceptive leaders and innovative organisational structures. This is a challenge of a different type, but one that industry must take up. It should probably dovetail this with incubation and innovation centres that may function as arms, but very independent ones, of existing companies or may be completely new ones.

Conclusion and Recommendations

All the challenges covered above, though far from exhaustive, already indicate the strategic importance of HR. Too often is this function looked on as an "administrative" and support one. The biggest challenge, then, is to bring about a change in the mindset of the IT industry so that it recognises the crucial role of HR as an investment for future growth. Since people are the primary asset, it is essential to not only invest in them, but also to ensure that the supporting elements for this asset are such that it can provide the maximum value on a sustainable basis.

Better recruitment and selection strategies result in improved organizational outcomes. The more effectively organizations recruit and select candidates, the more likely they are to hire and retain satisfied employees.

Use of computerized resume screening would help the organization to screen literally thousands of

resumes in a fraction of the time it takes to screen them manually.

Behavior based interviews should be a part of the organization's recruiting process as these types of structured interviews can be used to validly predict future behavior in dimensions (or competencies) critical to job success.

It should increase the use of applicant testing and assessment in the future. These structured approaches to assess skills, abilities, and knowledge can significantly reduce the candidate pool by eliminating those who fail to meet the minimum job qualifications.

The organization may take advantage of the many firms that specialize in creating and conducting valid testing and assessment by outsourcing for the final stages of the selection process, such as drug screening and reference checks.

Better recruitment and selection strategies result in improved organizational outcomes. The more effectively the organization recruits and selects candidates, the more likely it is to hire and retain satisfied employees. Hence, investing in the development of a comprehensive and valid selection system will be money well spent for the organization.

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