

Business Process Outsourcing: A Case Study on Pakistan's Out-Bound Call Centers

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ABSTRACT

This paper attempts to explore the problems of outsourcing industry with specific focus to out bound call centers and provide a remedial solution to the problem by which this sector can play an effective role in the IT industry of Pakistan and in turn the economy as a whole. Business Process outsourcing has become a multi billion dollar Industry globally it has brought visible benefits to the economy of the country and generating tremendous employment opportunities. Over the last couple of years, the worldwide business process outsourcing market has undergone rapid transformation. Continuing pressure on cost bases at a time of growing competitiveness is driving companies to look at offshore outsourcing as a strategic alternative. Many countries are demonstrating the benefits brought by business process outsourcing. Access to global talent, economies of scale, process engineering and enhancements, increased profit margins and improvements in quality are some of the gains that companies and in turn countries have realized. Although outsourcing has brought visible benefits with employment opportunities to Pakistan also, however these benefits do not come without a cost.

Key Words: Business Process Outsourcing; Bound Call Centers; Offshore Outsourcing; Strategic Alternative; Economies of Scale

1. INTRODUCTION

The BPO sector of Pakistan, has shown phenomenal growth in medical transcription, legal transcription, data capture and forms processing has not been substantial, however in the last few years, there has been a major boom in outsourcing voice-based call center services both in- bound and out-bound [1]. The Voice based call center operations (out Bound) in Pakistan are gaining substantial growth but there is still a room for more improvement, this sector has the potentials to hard cash revenue generator for Pakistan, At present this sector is in faced with number of problems; which is effecting its growth [2]. The study covers the various problems the out sourcing sector is facing, it include a survey based research on the out bound call center agents. The study is confined to the outbound call centers sector only and does not include any aspects of as they are revenue generator does not give an entire. Overall the study is organized in four parts, where the main parts of the study are explained as follows:

Part one of the study gives the general introduction to the Business process out sourcing industry of the world, it also gives in-depth background to what out-sourcing is and defines what are the functions of call center along with its types. This part of the study also describes the difference between call centers and a contact center along with other terminologies used interchangeably. The Third part of the study is in continuation of the first part, it provides in-depth overview of the Global trends of BPO, the study than proceeds to the Pakistan scenario, Since outsourcing is more or less mainly confined to the IT industry, therefore the study discusses first the IT environment of Pakistan and than proceeds to the out sourcing sector of the country [3].

1.1 Business Process Outsourcing

Out sourcing can be defined as "Business Process Outsourcing is the delegation of one or more business processes to an external entity that in turn owns, administers and manages the Outsourced process based on defined and measurable performance criteria. Such back end functions may include services such as customer support through call centers, accounting, order processing, insurance claims processing, procurement or other logistic functions"[4]. Every industry is now driving down cost and developing products and services faster to meet new challenges. This need to provide more value to customer (higher levels of services and reduced costs) can be achieved through outsourcing. Outsourcing helps deliver significant benefits by providing premium quality services at lower cost by experts [5].

1.2 Overview of Call center

A call centre is a center point where domestic or international customer's telephone calls are handled by an organization; the organization usually involves some amount of computer automation. Another definition describes a call centre as a place where business is done by phone that combines a centralized database with an automatic call distribution system [6, 7]. On the other hand a contact center can be defined as "A contact center

can best be described as the “place where activities such as help desk, sales and customer service take place-without physical contact with the people who are initiating or receiving the transactions”; A call center and a contact center are interchangeable terms and mean more or less the same in terms of operations [8, 9].

Call centers can be any of the following:

- Reservation centers for airlines and hotels.
- Help desks of any organization.
- Huge telemarketing centers.
- Catalogue retailers
- Outsourcers that use their large capacity to serve lots of companies.

1.2.1 Call center categorization

Generally call center can be classified among the followings:

1.2.1.1 Categorized by type of operation

- **International call centres:** International call centers mainly work with the collaboration of offshore operations in various countries around the world. Their operation varies from industry to industry [10, 11].
- **Domestic call centres:** The traditional or domestic call center involves an outsourcer who has a call center operation in his native country. The advantages of having a domestic call centers include relative physical location between the outsourcer and client and the ability to troubleshoot any clients problems on-site troubleshooting. Usually these types of call centers specialize in providing both inbound and outbound services [12, 13].
- **Categorized by Size:** The first group involves 5 to 100 staff members, usually this group has keeps the staff size small in order to remain competitive with larger companies. In the second group companies usually involves more than 100 staff, this group includes government organizations and big multinational companies, many companies now a days operate in-house call centers for example banks etc. In the third group of companies outsource with limited capacity, but are usually higher in demand, which creates opportunity to further outsource the project, this type of market segment is considered to be lucrative as it require minimal marketing and yield faster ROI (return on investment).

1.2.1.2 Categorized by Service

- **Inbound:** An inbound call center is a call center that handles calls coming in from outside, these type of call center usually are established by companies who are stationed in out sourcing countries usually US or by companies providing services such as Mobile service providers, banks and other financial institutions. In most cases the channel of communication is through a toll free numbers. This in turn yields long term benefits resulting in stability of the organization with revenue generation [14, 15].
- **Outbound:** An Outbound call center mainly consists of telemarketing a product or services programs. These type of centers have many product targeted towards markets mainly in the US UK and Australia. Although large companies provide these services in-house, outsourcers have a large share of the market in this service area. This market segment is highly lucrative as substantial investment flows through in this section of the call center [16, 17].

1.3. Business Process Outsourcing- Global scenario

Global services sourcing have evolved to become a mature business model that both leading corporations and global service provider look to leverage. The modern-day corporation’s strategic growth plans would not be complete without addressing how global sourcing can impact an organizations bottom line [18]. The following table: 1 summarizes the spending on Business process out sourcing by region

Table: 1: - Overview of the US ITES-BPO Market

| Worldwide ITES-BPO Spending by region 2002-2006 | | | |
|---|---------|-----------|--------------------|
| Region | 2002 | 2006 | 2002-2006 CAGR (%) |
| Americas | 484,732 | 647,427 | 7.5 |
| EMEA | 171,303 | 237,390 | 8.5 |
| Asia Pacific | 117,622 | 194,228 | 13.0 |
| Worldwide | 773,657 | 1,079,054 | 8.6 |

Source: IDC

Source: National Association of software and services companies India (Nasscom)

According to research by NASSCOM [19], The North American region of the market will remain the dominant market for ITES-BPO services, which will account to almost 60% of the total ITES-BPO market in 2006 [20].

1.4 Overview of the Asia Pacific BPO Market

Given the relative infancy of the ITES-BPO market of Asia Pacific, the region's ITES-BPO market is expected to account for 18 percent of the total in 2006 [21].

Typical offshore BPO services include the following [17, 22]:

- Call center operation
- Software development
- Computer graphics, animation
- Accounting
- Legal research
- Medical transcription
- Financial analysis.
- ERP & CRM Implementation
- Outsourcing
- Programming, Software & Database
- Outsourcing
- Graphic Design, Presentations &
- Multimedia Outsourcing
- Business Consulting Outsourcing
- Advertising & Broadcasting
- Outsourcing
- Legal Outsourcing
- Fashion & Interior Design
- Outsourcing
- Admin Support (Legal, Medical, & Accounting) Outsourcing

The following table: 2 summarize the World IT services growth rate (the figures for the year 2006 are projected figure, calculated based upon the previous year's figures). The figure gives an overview of the various out sourced sector growth in terms of Dollar value for last couple of years including the projected current year value.

Table-2: Worldwide IT Services Market Revenue Growth by Segment, 2002-2006
 (Millions of Dollars)

| Services | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Support | 123,792 | 130,282 | 135,658 | 138,795 | 143,075 |
| Hardware Support | 76,397 | 79,145 | 81,888 | 83,168 | 85,060 |
| Software Support | 47,395 | 51,137 | 53,771 | 55,627 | 58,015 |
| Systems Integration | 209,014 | 215,529 | 227,512 | 236,464 | 248,339 |
| Consulting | 42,164 | 41,915 | 43,803 | 45,414 | 47,632 |
| Development and Integration | 166,850 | 173,613 | 183,709 | 191,049 | 200,707 |
| Core Outsourcing | 202,766 | 223,802 | 244,084 | 260,459 | 279,874 |
| IT Management | 125,131 | 138,499 | 150,448 | 159,383 | 170,067 |
| Process Management | 77,634 | 85,303 | 93,636 | 101,076 | 109,807 |
| Total | 535,572 | 569,612 | 607,254 | 635,718 | 671,288 |

Source: Gartner Dataquest Report (November 2004)

1.5 The IT Industry of Pakistan

Information Technology has changed the way we experience life everywhere and Pakistan is no exception. This is by no means a country that lives in the dark ages – there have been definite steps taken in the forward direction with the help of a lot of outside experts and companies. The Information Technology of Pakistan is now preparing itself to play a major role in revenue and employment generation, one may believe that it would be progressing rapidly and touching a billion Dollar mark. Presently the IT spending is around \$700 million beside from \$100 million exports of software and services [23].

2. RESULTS AND DISCUSSION

2.1 Business Process Out Sourcing – Pakistan Scenario

In Pakistan, IT, and IT (ITeS) enabled services exports have been quite promising during the year the fiscal year 2004-2005. The total export proceeds for IT and IT enabled Services sector brought into the country during the Financial Year 2004-05 stands at USD 48.5 million, up by 48 % from the USD 32.88 million in fiscal year 2003-04, which in turn was about 45% higher than the previous year, when exports were recorded at USD 22.62 million [24]. It is a fact that it is favourable relative to previous years' figures. BPO industry has played a major role in the increase of this export figures [25]. However According to industry analyst the BPO sector has not matured enough in Pakistan even though potential for rapid growth has been identified repeatedly, nonetheless the sector did witness substantial boom in the outsourcing of voice based call centers. Mr Ayub Butt CEO of ZRG international is confident about the sector's chances, and states "call centers in Pakistan are growing in number and size at phenomenal rate. On the domestic scene, customer-centric organization like banks, telecom and utility providers have invested in call centers to provide prompt services and support"[26].

2.2 Call Center Industry of Pakistan

The call center industry of Pakistan is changing; it's changing so rapidly that most people working for the call centers have been overwhelmed by its increase in workload. Now there are more computers to look after, more people to train and more users having more ways of communicating. Today even in Pakistan, customers demand quick, efficient service whether they send it through email, request a call-back or dial to a customer helpline, resultantly, there's hardly an industry that does not require a call centre [27, 28].

2.3 Current Problems Highlighted in the out bound call centers during the interview sessions.

Total of four floor supervisors of the following companies were interviewed, e-planet Communication, TRG and Alt Source (Pvt) Limited. Following problems were brought forward. The biggest problem that the call centers in

Pakistan are facing is high labour turnover ratio. Although many call centers after hiring provide three to four months extensive and exhaustive training in call center workings, but still high turnover ratio persists mainly due to the reasons of odd timings schedule i.e. from 11 PM to 7 PM and unsatisfied by the variation in comparative Pay offered in the market to the call center agents.

- The second problem cited by all the interviewees is the negative image of the call centers, Although lot of training is given to the call center agents after hiring, still language barriers, technological know how of the system and inefficient knowledge of the products are the biggest ingredients in posting the negative image of call centers, beside from these reasons call center do not provide any value added service to the company, they act merely as messenger rather than problem solver or turning any query to a transaction.
- Another problem cited is that of heavy investment involved in setting up state of the art call center, with latest technological equipment, Centers like TRG and ZRG have huge investment involved with strict quality control measures, which not many call centers can afford. Although a simple call centers with less investment are also involved, which involves a simple DSL Connection, a router and a switch. However these call centers have less economic values that the state of the art call centers and have less ability to penetrate through the international market.
- Pakistan has only two flags (links), where as India has sixteen flags (links), in recent month, Pakistan's link 1, which is connected through submarine cabling broke, resulting in disruption of internet communication, this in turn disrupted many call center operations, loosing many customers had made a negative impact on the business operations of the call centers, who's clients were all international clients. Pakistan did not have any Backup link, which would replace the primary link in case of link disconnection.
- Efficient use of the technological resources are not optimized to the world standards, huge investment is not realized with the current usage rate, thereby economic realization is achieved in terms of Return on investment (ROI).
- The call agents tend to switch jobs quiet often when they receive an offer higher than the one they are presently paid, thereby the organization suffers in the long run, both in terms of human resource and financially. Even organization like TRG, which offers the highest salary package in the market, is faced with high turnover ratios [29].

There is huge shortage of female staff; they are mainly discouraged by the odd working hours. Following are the major problems highlighted Problems in the out bound call centers during the survey of 65 call center agents belonging to various out bound call center organizations.

- -High Turn over rate.
- -Poor working environment and working conditions.
- - Not willing to adopt call center as a career for long terms.
- Acute shortage of females in this sector.
- -Not able to odd working hours.

2.4 Hypothesis Analysis

Only one hypotheses test was developed to test a claim that 65% of call center agents are satisfied with their current job, Z-test methods was used to test the claim.

2.4.1 Hypotheses Result

At 95% Confidence level, the calculated sign value of Z was 1.65, which is greater than Z (stat) therefore the null hypothesis is rejected and the alternative is accepted. So the claim that there is 65% level of satisfaction is rejected and can be stated that the satisfaction of call center agents in out bound call center is less than 65% and not 65% as claimed by the source.

3. CONCLUSION

There is a huge pool of talents available in the market, when provided with latest training in the global market, can prove to be revenue generator for Pakistan. There is great shortage of female call center agents, the main reason for this is of the odd working hours mainly from 11 pm to 7 am in the morning depending upon which market the call center organization is targeting. In these working hours female hesitate to work mainly because of the culture and domestic bounding. Other than this reason there is a huge job market available for females in this sector and female can utilize their time and potential in this sector which would not only generate employment opportunity but also gain value of economy for the IT industry. This sector of the BPO industry has mainly attracted young people in the age bracket of 19 to 24, which is a positive sign; this would help keep the young force in the main stream of being employed at a young age, keeping in view of the un-employment

situation in Pakistan. Beside from this there are also potentials for older people in the age bracket of 25 and above who are out of work and can be brought into the main stream of skilled labour. High turn over rate exist in this sector mainly because of call center agents tend to switch job after getting many on job training opportunity, they tend to leave the current employer and work for an organization that offers more salary than he is getting at present, this shift in the job not only leaves bad impression on the person himself but also leaves the employer in the state of limbo, as his investment on the call center agents in terms of training, is lost. This factor de-motivates the employer in bringing in more investment in Pakistan and he feel his investment is in secured. Call centers are not very attracting agents in terms of opting it as a career, because no clear career path is provided to the call center agents, therefore the staffs of call center do not tend to make call center agents as a profession, although tremendous opportunities in the middle east and in EU, Australia and US. Effective communication skills in English are in acute shortage, which is one of the reason why investments in call center is diverting towards India. No sufficient backup links (flags) exist for the call centers, if the existing link is disconnected; the entire country's is disconnected from the internet, which in turn gravely effects the call centers operation through loosing clients and incurring huge loss's. Overall satisfaction level of the staff is satisfactory and can be termed as exceptional, this satisfaction level is only temporarily for the call a centre agent who are taking up the job for the first time

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