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# Measuring the Success of the Business Correspondence (BC) model: A Literature Review

*Research-in-Progress*

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## Abstract

*Business Process Outsourcing (BPO) is a phenomenon of growing interest, as it enables an organization to reduce its costs and focus on its core activities. It helps to add value to organizations by giving a competitive edge to survive fierce competition, present globally. In addition to the various sectors that BPO has tapped into (such as manufacturing, HR and IT), BPO's capabilities are being used for financial inclusion, i.e. to bank the unbanked people. An example of such a BPO initiative designed to promote economic sustainability is the Business Correspondent (BC) model. It is a business process outsourcing model which was implemented to cater to the financial needs of the underprivileged people, prevalent in developing countries. The BC model in the Indian context is the focus of investigation in this study. The BC model is still at its nascent stage and given the significance of the model in providing equitable growth opportunities to all, it is important to evaluate its success. However, there has been no research that aims to measure the success of the BC model. This paper deals with this lacuna and is the first attempt to address this. Applying a systematic literature review approach, and adapting from BPO and BC literature, it derives a preliminary conceptual model of BC model success.*

**Keywords:** Business Correspondent model, Business Process Outsourcing, Measurement model, Literature Review

## Introduction

Business Process Outsourcing (BPO) has gained significant importance in recent years. This is because it enables an organization to outsource its non-core activities, which saves costs involved and increases focus towards the more value-adding strategically important core activities (Gewald et al. 2009). According to Gartner (2004), BPO is the delegation of one or more business processes to an external service provider who owns, administers, and manages the processes based on a defined and measurable set of performance metrics. Business processes in which IT plays a key role, have become prime candidates for BPO. While there are a plethora of advantages that BPO entails, its usage for sustainable development remains an area needing further research. According to Lacity et al. (2016), one of the promising areas of future research is how BPO can serve as a mean to alleviate poverty or uplift the marginalized sections of society.

The Business Correspondent (BC) model is a business process outsourcing initiative designed to fulfil the goal of financial inclusion (banking the unbanked) (Kolloju 2014). It is a technology supported agent based service delivery model in which transactions occur with the help of individual Business Correspondents (BCs). This structure is an alternative to the traditional branch based structure, which enables public sector banks to use the services of the Non-Governmental Organizations/Self-Help Groups, Micro Finance Institutions and other Civil Society Organizations as intermediaries in providing financial and banking services (Bhaskar 2006). This model primarily aims to reach geographically diverse populations, particularly in rural areas, where people do not have access to mainstream banking institutions. The BC model is widely applicable to developing countries, this study focusing on the Indian implementation of BC model. The BC model was introduced in India in 2006 (RBI 2010). Under the governance of the Reserve Bank of India (RBI), BCs are permitted to carry financial transactions and undergo other banking related processes on behalf of the bank, referred to as 'branchless banking' (Kolloju 2014). Through financial inclusion the model aims to uplift the marginalized sections of society, promoting sustainable economic growth.

The BC model is still at its novice stages with opportunity and demand for research in this area. While there is no formal research yet, there are some consultancy reports which communicate that this area is an understudied area that has potential to grow (College of Agricultural Banking et al. n.d.; GrameenFoundation 2013; Sa-Dhan 2012). However, to evaluate the impact of any initiative and to apply it properly (with reflections and improvements), it is essential to be able to measure the success of that initiative. Success is a concept, which is difficult to measure. It is often ill defined and there are often no standard measures that can be used to suit diverse contexts (Larsen et al. 1997). Current efforts to measure BC model success are very ad-hoc and descriptive. For the model to progress as a financial inclusion initiative in the long term, there is a need to be able to accurately measure its success. This is the gap this study aims to address and is driven by the research question:

*What is BC model success and what are its appropriate success measures?*

This paper uses a literature review to build an a-priori conceptual measurement model of BC model Success; the first attempt to define and devise measures towards the empirical evaluation of success of the BC model.

## Methodology

Zmud et al. (1991) state that *"one should never develop an instrument from scratch when a well-developed, or fairly well-developed instrument that fits the level of analysis and level of detail required by a particular research model already exists. MIS researchers should develop their own measures only as a last resort, and only after comprehensive research and examination of existing instruments have been undertaken"*. BC model success is a new area of research and there has not been extensive research exploring this space. As established in the introduction of this paper, the BC model is a form of Business Process Outsourcing. Hence, this study uses prior BPO literature to extract definitions and measures of BPO success, which are then adapted to the BC model context. Existing literature about the BC model (specifically from the Indian context) were used to support with the adaptation process (when selecting measures); to help with the contextualization and completeness checking of the adapted measures. The consultancy reports (as mentioned in the introduction) in particular, enabled the researchers to obtain an in-depth contextual overview of the benefits that the BC model aims to achieve and also the issues impeding the success of the BC model. It's worthy to mention that the specific BC model literature did not consist of any formal empirical work on success measurement, which further reinforces the motivation and value of this work.

A multi-phased approach was adopted to derive the a priori conceptual model for BC model success. In the first phase, definitions and measures were extracted from BPO literature. It was during this phase the researchers were introduced to two seminal papers (detailed in Phase 1 of Findings Section), which were cited across BPO success literature. To ensure that the measures extracted were complete and unique, the measures of the papers were mapped against the measures used by the seminal papers<sup>1</sup>. At the end of this phase, the researcher has a list of definition used by authors in prior literature and a set of measures used by authors to operationalize BPO success. In the second phase, the definitions and measures extracted in the first phase was adapted to the BC model context, using the generic BC model literature to support the contextualization of the extracted measures. The workings associated with each phase are elaborated further as the results are presented in the Findings section below.

## Findings

### **Phase 1: Literature Based Extraction of Content: Definition(s) and measures of BPO success**

The search string; (“Business Process Outsourcing success” OR “BPO success”) anywhere in the text, was used to arrive at papers that had operationalized BPO success in the past. Since this string did not provide many relevant results, ‘success’ was replaced with seeming synonyms such as; ‘benefits’ and ‘outcomes’ (as observed been used in other success measurement literature such as (Bharadwaj et al. 2009; Gewald et al. 2009)), to expand the search results. The databases searched were the main IS and Management databases being; ABI inform, EBSCOHost, JSTOR and Science Direct. Only peer reviewed journal articles were sought to maintain quality and reliability.

There were 45 distinct articles across the databases resulting from the search strings used. Recall that the primary aim was to understand how ‘BPO success’ has been defined by researchers and how the measures of BPO success (if at all) were derived. Most of the articles, though had the word ‘BPO success’, they did not attempt to actually measure BPO Success. Most papers were found to explore antecedents of BPO success. Hence, in the next round of analysis only empirical papers that clearly measured BPO success were considered. Table 1 provides an overview of the main papers (since 2000) that were obtained from this effort. They were prominent as their work had a focus towards measurement of BPO success. Column 1 provides the definition of BPO success as used by the author(s) and column 2 shows the measures that had been used to operationalize BPO success [along with the type (qualitative/ quantitative)] of study.

<b>BPO success definition</b>	<b>BPO success measures</b>
Success of an outsourcing arrangement should meet the goals of three parties: outsourcers, outsourcees and end-users (Ee et al. 2013).	Outsourcing success was measured through <b>impact on business performance</b> and <b>customer satisfaction</b> . Business performance was measured using achievement of <b>strategic, economic, operational and technological benefits</b> [Quantitative study].
BPO success is defined as the realization of intended benefits, and intended benefits are stated as BPO “value propositions”, BPO success will depend on BPO value propositions (Saxena et al. 2009).	The authors asked if BPO initiative enabled the <b>firm to achieve its intended outcomes</b> . The most common intended outcome was <b>cost reduction</b> [Qualitative study].
BPO success enables organizations to achieve its intended outcomes (Arjan et al. 2011).	BPO success was measured using four defined variables being: <b>flexibility, price, profitability</b> and <b>service quality</b> [Quantitative study].
Success of offshore BPO is based on a combination of cost savings, technical service quality and strategic issues, is specific to business context and will	Used, <b>cost savings, technical services quality, strategic issues</b> and <b>user satisfaction relative to expectations</b> to evaluate BPO success [Qualitative study].

<sup>1</sup> Mapping exercise is not presented in this paper due to space constraints. The full version of this paper is available at <http://eprints.qut.edu.au/105871/>

change over time (Penter et al. 2009).	
BPO benefits aid in reaching organization's objectives, achieved by reaching higher level of efficiency and effectiveness in performing business processes (Gewald et al. 2009).	The perceived benefits of BPO were measured using <b>cost advantages, focus on core competencies, access to specialized resources</b> and <b>quality improvements</b> [Quantitative study].
BPO success is the satisfaction with benefits of business process outsourcing. These benefits being strategic, economic and technological (Sundar 2008).	The three main measures used are: <b>economic, strategic and technological</b> [Quantitative study].
BPO outcome refers to realizing outcome as per clients' intended benefits (Bharadwaj et al. 2009).	The measures used were: <b>economic (reduced cost to serve, increased profit margins)</b> and <b>strategic (no customer complaints, services as per contract, able to add value to the customer)</b> [Quantitative study].

Table 1: BPO success definition and measures extracted from literature

While the above papers were identified as the key papers that operationalized BPO success, two seminal articles were found to be widely cited across most BPO success literature (all the BPO articles cited either one or both the articles). The first article was by Grover et al. (1996), which states that the success of outsourcing can be assessed in terms of attainment of its benefits. These benefits have been categorized into 'economic', 'strategic' and 'technological' benefits (Grover et al. 1996). In order to measure outsourcing success, Grover et al. (1996) use another variable, 'satisfaction' which according to them is considered to be the best surrogate to capture affective and cognitive components of humans. Nine measures were devised by Grover et al. (1996) to assess the degree to which service users were satisfied with respect to the four categories. The dimensions and measures they used to capture the domain of Outsourcing success are outlined below.

[D1] Strategic: According to Grover et al. (1996, p. 93) strategic benefits “refer to the ability of a firm to focus on its core business, outsource routine IT activities so that it can focus on strategic uses of IT, and enhance IT competence and expertise through contractual arrangements with an outsourcer”. On the basis of this definition, the measures used were: ‘refocus on core business’, ‘enhance IT competence’ and ‘increased access to skilled personnel’.

[D2] Economic: Economic benefits “refer to the ability of a firm to utilize expertise and economies of scale in human and technological resources of a service provider and to manage cost structures through unambiguous contractual arrangements” (Grover et al., 1996, p. 93). The measures used were: ‘enhanced economies of scale in human resources’, ‘enhanced economies of scale in technological resources’ and ‘control of expenses’.

[D3] Technological: Technological benefits “refer to the ability of a firm to gain access to leading edge IT and avoid the risk of technological obsolescence that results from dynamic change of IT” (Grover et al., 1996, p. 93). Measures used were: ‘reduced risk of technological obsolescence’ and ‘access to key IT’.

[D4] Satisfaction: Success of outsourcing is defined as “satisfaction with the benefits from outsourcing gained by an organization as a result of deploying an outsourcing strategy” (Grover et al., 1996, p. 95). The measure used here was ‘satisfaction with overall benefits of outsourcing’.

After Grover et al. (1996), Lee et al. (1999) brought forth another paper where, they defined outsourcing success as the ‘level of fitness’ between customer requirements and outsourcing outcomes. They measured outsourcing success from both a business as well as a user perspective. For the business perspective, they used the Grover et al. (1996) dimensions (strategic, economic and technological) and measures. For the user perspective (a proxy for satisfaction), they proposed “degree of quality of services”, defining it as “the degree of quality of offered services by the services provider” (Lee et al. 1999). They assessed this using the measures; ‘reliability of information’, ‘relevancy of information’, ‘accuracy of information’, ‘currency of information’, ‘completeness of information’, and ‘timeliness of information’.

The success measures (when existent) of the BPO Success literature were mapped<sup>2</sup> to the combined dimensions provided by both Grover et al., (1996) and Lee et al. (1999); strategic, economic, technological and user satisfaction. All the measures used in other papers by other authors mapped on to these four dimensions, reinforcing their appropriateness. This confirmed that most prior research of BPO success were based on / or similar to the BPO success dimensions provided by Grover et al., (1996) and Lee et al. (1999), which taps into strategic, economic, and technological benefits, together with user satisfaction.

As per the discussions above, there were three strategic measures, three economic measures and two technological measures (as suggested by Grover et al. (1996)) as well as seven measures for user satisfaction (one from Grover et al. (1996) and six from Lee et al. (1999)), which were adapted in the next phase to the BC model context as discussed below.

### ***Phase 2: Adapting BPO definitions and measures to fit the context of the BC model***

Confused and ambiguous conceptual definitions causes inconsistent understandings and metrics for the same concept (Wacker 2004). Hence, it was first essential to define what BC model success was (MacKenzie et al. 2011), prior to arriving at measures to operationalize BC model success. Many researchers think they have a clear idea on the concept(s) they are researching and measuring, but find out that their ideas are vague, often after considerable effort has been spent on collecting data, when changes that needs to be made become a costly process (DeVellis 2012). This hence suggests the need to have a clear definition, to allow accurate measurement of the construct; which in the context of this study, is 'BC model success'. The BC model was primarily devised to achieve the goal of financial inclusion, taking into consideration the priorities and constraints of banks as well as the unbanked population. Prior research communicates that the model needs to be profitable for banks to have sustainable operations, while Business Correspondent's convey coordination needs for continued success of the BC model (GrameenFoundation 2013). With an understanding of the (BPO success) definitions extracted in Phase 1, further supported with generic BC model literature, the researcher defines BC model success "as the ability of the model to meet its intended strategic, economic and technological benefits as well as cater for the target user needs".

After extraction of BPO Success definitions and measures (see Table 1), the next step was to adopt the dimensions, then to select the relevant measures (from the above synthesis) and adapt these measures to the relevant context of the BC model. All the measures were found useful and important to the context of the BC model and hence were adapted, which is presented in the second column of Table 2. As mentioned in the method section, literature specific to the BC model was used to contextualize and understand the characteristics unique to the BC model. There were also some new measures devised through this analysis, which were based on the insights obtained from BC model literature<sup>3</sup>. Table 2 presents the outcomes of this phase, depicting the questions/ items adapted to measure the success of the BC model.

<b>Dimension</b>	<b>Measures</b>
<u>Economic</u> <i>The perceived economic benefits of BC model</i>	<b>Adapted Measures from BPO Literature</b> - Does the BC model enable cost savings for the bank for rural banking operations? (Bharadwaj et al. 2009; Penter et al. 2009; Saxena et al. 2009) -Is the model profitable for the bank? (Arjan et al. 2011) -Does the model enable banks to reach more people than otherwise? (Grover et al. 1996)

<sup>2</sup> The details and outcomes of this mapping exercise were not presented here due to space constraints- but is available upon request from the authors.

<sup>3</sup> The BC model literature referred had no formal empirical work and hence there were no measures that could be adopted, but some literature (especially consultancy reports) was very useful to contextualize the benefits and issues pertaining to BC model.

<u>Strategic</u> <i>The perceived strategic benefits of the BC model</i>	<b>Adapted Measures from BPO Literature</b> - Has the model given better access to skilled personnel? (Grover et al. 1996) - Does the BC model help the bank to focus more on other core operations? (Grover et al. 1996) - Does the model enable technical competence in provision of services to rural people? (Grover et al. 1996)
<u>Technological</u> <i>The perceived technical benefits of BC model</i>	<b>Adapted measures from BPO Literature</b> - Does the model provide access to technologies to support banking the unbanked? (Grover et al. 1996) - Is the technology used to support the model capable to meet the demands of the user? (Grover et al. 1996)
<u>User Satisfaction</u> <i>The perceived user satisfaction from the services of the BC model</i>	<b>Adapted Measures from BPO Literature</b> - How satisfied are the users with the consistency and dependability of output services? (Lee et al. 1999) - How satisfied are the users with the degree of congruence between what the user wants or requires, and what is provided by the bank? (Lee et al. 1999) - How satisfied are the users with the correctness/accuracy of the output services? (Lee et al. 1999) - How up-to-date is the information provided? (Lee et al. 1999) - How satisfied are the users with the comprehensiveness of the output services? (Lee et al. 1999) - How satisfied are the users with the availability of the services at a time suitable for its use? (Lee et al. 1999) - Overall how satisfied are the users with the benefits of the BC model? (Grover et al. 1996)
	<b>New Measures (derived from generic BC model literature)</b> - How satisfied is the user with the transparency of information? - How satisfied is the user with the co-operation among the stakeholders in the model?

Table 2: Adapted and new measures for BC model success

## Conclusion and Future Work

This paper reports on a study that attempts to define and measure the success of a nascent BPO initiative, the Business Correspondence (BC) model. It is a BPO initiative that aims to provide banking services to the underprivileged people encouraging sustained economic growth. This study adopts the literature related to BPO success to derive a measurement model for BC model success. This is because BPO success is an area which is well understood and developed, hence, worthy to borrow from. However, the BC model has its own uniqueness and hence measures need to be appropriately adopted and adapted. This is why BC model literature (specifically in the Indian context) was used to gain a contextual overview of the prevailing benefits and issues, which assisted the researchers in the multi-phased approach applied here to build the proposed a priori BC model success model.

Measurement of any construct must commence with the definition of the construct (MacKenzie et al. 2011). Through a BPO literature review (as part of the multi-phased approach), the paper first extracts definitions and measures of BPO success. Using this information and literature relevant to the BC model, *BC model success* and its dimensions were defined. Following this, the existing measures were adapted for each of the dimensions to fit the context of the BC model.

This paper is a first attempt to derive a measurement model to measure the success of the BC model, which aims to uplift the marginalized sections of society and contribute towards economic sustainability. The paper consisted of: (i) a definition of BC model success, (ii) adopted dimensions of BC model success, and (iii) measure for each success dimension, adapted to suit the BC model within the Indian context. Essentially, it has built an a-priori model of BC model success through a comprehensive approach.

This a-priori model needs to be validated (and potentially re-specified) through empirical data. The authors have designed a series of case studies to validate and re-specify the model with empirical evidence, as the next phase. The unit of analysis will be the implementation of BC model in a bank. All the stakeholders involved in the operations of BC model (the manager, agency representative, BC and customers) will be interviewed to validate and respecify the model. The work can further be extended to derive quantitative BC model success measurement instruments that can be applied in diverse contexts. Once the a-priori model is empirically tested, the confirmed model can be used by researchers working in similar contexts and can also be extended by researchers in other contexts entailing an understanding of the potential role of BPO to empower the underprivileged sections of society.

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