

A STUDY OF IT/BPO INDUSTRY AND FACTORS INFLUENCING THEIR PERFORMANCE

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ABSTRACT

Sri Lanka is one of the countries that has gained confidence by reinventing its economy around Business Process Outsourcing (BPO) and Information Technology (IT) industry. Outsourcing will reduce overheads and US and European companies will be able to focus on their core business. Therefore, by outsourcing, companies gain competitive advantage over competition on their industry. Software development, remote management of IT networks, Backend IT operational support, Transaction processing, Call centers, Insurance claims processing, Medical transcriptions, Desktop publishing, Financial research are some of the outsource work that performed by IT/BPO companies. Most of the school leavers and young workforce are employed in BPO companies in Sri Lanka. Staff retention and motivation are current challenges faced by BPO companies. High staff turnover will cost companies, by having to spend time and money for training & recruitment of staff. Also sustaining their performance levels is another challenge in routine working conditions. Proposed study mainly focuses on job satisfaction and performance of outsource staff and findings of the research will help IT/BPO companies in Sri Lanka to overcome the challenges that face current context.

Key words: BPO, Outsourcing, Performance Management, Sri Lanka

1. INTRODUCTION

The decision by Management to outsource is often made in the interest of reducing costs, reduce administration time and get the competitive advantage over competitors. Therefore, by outsourcing, companies can focus more on their core business.

Generally back office functions such as data capturing, call center operations, financial services, product distribution/delivery and IT related services are very often outsourced. Organisations tend to forget the fact that it is the people who create the competitive advantage in most industries, and that outsourcing above functions can therefore affect the organisations adversely (Fernando 2007).

In today's context, there is a great trend for Business Process Outsourcing (BPO). There is a great demand for companies who do the back

office functions and other IT related services. Most of the US and European companies made vast expansions by outsourcing their non core business functions to Asian countries like India, Sri Lanka, China and Philippines. Compared to other countries Sri Lanka has an advantage, because of relatively low labour costs. It has less competitive pressure to be selected as an Outsource designation (Milne 2007).

BPO industry is facing one major challenge; where there is a high attrition rate (Maneetpuri 2010). In fact average attrition rate is about 35 - 40 % in outsource industry (Sharma 2010). Since there is high attrition, most of the BPO companies spend and waste money on recruiting and training activities (Kangaraarachchi 2010).

This study mainly focuses on job satisfaction to retain staff and influence performance levels of outsource workforce at Sri Lanka BPO industry. This analysis will try to find what job outcomes

and motivating factors will help to retain the outsourced workforce.

In Sri Lankan context, most of the IT related employees leave the country due to attractive salary packages offered by US, Europe and Gulf countries (Verma 2009). And some of the employees are interested in better work environment and health and safety factors (Daily News 2004).

In fact employee performance is also an important factor that will contribute to attrition. If outsourced workforce does not perform well, it impacts the business. Therefore, it is important that both parties align their performance levels, because there will be a great amount of accountability (Information Week 2003).

Following are some of the key human resource factors that will affect employee performance

- Incentive pay – extra pay for there performance
- Recruiting and selection – depend on selection criteria for job function
- Teamwork – perform the job functions as a team
- Employment security – Job secure for future
- Flexible job assignment – minimum restrictions on job function
- Skills training – Learning and Development facilities
- Communication – clear expectations and feedback
- Labor relations – Relationship management (Ichniowski, Shaw, and & Prennushi 1997 87:294).

Most of the employees work and prove there performance to get more increments. A recent research found that company performance management systems, 85 per cent had performance-related pay and 76 per cent rated performance (Armstrong & Baron 2004).

Another important factor that contributes to high performance levels is communication. Outsourced job tasks will mostly need to have

two-way communication with teams and there understanding. Relationship with team and team members will lead to better communication (Parker and Russell 2005). As per reason study on BPO industry in Sri Lanka, found that marital status and tenure has a significant effect on working hours (Wickramasinghe, V., Kumara, S. 2010). Also, found that job satisfaction has a relationship between time demands of work and turnover (Wickramasinghe, V. 2010).

2. METHODOLOGY

The research design for this study will employ a descriptive survey method. The target population for this study will include employees at BPO and IT organizations in Sri Lanka. The sample size will be 1500 employees performing outsourced jobs.

The research will be done through questionnaires which will carry structured and semi-structured and open ended questions. Also organizational information will be obtained by the recruitment managers by conducting formal and informal interviews. Outsourcing staff will also be given questionnaires and interviews.

Data relating to performance levels of those performing outsourced tasks will also be collected.

A survey questionnaire will be developed to collect data for the study. Data will be collected through use of a written questionnaire from a review of literature, hand-delivered to participants. Questionnaires will be filled out by participants and returned. The questionnaire asks participants to rank the importance factors that motivated them in doing their work: 1=most important . . . 4=least important.

3. RESULTS

Finding from studies indicate that (Huselid 1995, cited in Armstrong 2006) “Productivity is

influenced by employee motivation; financial performance is influenced by employee skills, motivation and organizational structure”.

Why employees leaving?

Doing exit interviews following some factors were identified in Indian BPO industry (Sharma 2010);

- Poor growth opportunity/promotion
- Better salary
- For higher education
- Lack of train and guidance by employer
- Policies and procedures
- No private life
- Physical tensions
- Poor relationship with peers or managers

Employee motivation and retaining them is an enormous challenge faced by BPO companies. Also companies must sustain there performance with there innovations to take competitive advantage. Strategies like cost leadership and innovative differentiation will lead to competitive advantage over competitors. (Gilley and Rasheed 2000). Following are some strategies that help to retain employees

- Changing view of employees from life style to career;
- Dependable;
- Communication;
- Transparency in expectations;
- Give employees an alternative of rewards;
- Accumulation value (Raman 2006).

4. CONCLUSION

Outsourcing is mainly a cost saving strategy. Organisations tend to outsource its non-core operations to service providers. But they tend to forget that its human resource they outsource, the organisations most valuable asset. In the process the organisation will face issues such as performance gaps in staff performing outsourced

tasks and non-outsourced tasks.

According to the literature review Income, satisfying work, growth prospects, job security and team work were taken as some of the important job outcomes of employees. Important motivating factors were identified as task variety, responsibility, autonomy, higher income and good work team performance levels depend on different levels of job satisfaction achieved through realization of job outcomes and motivating factors. Employees belong to different cultures, and they have different values and expectations.

The empirical results consistently support the following conclusion: such as problem-solving teams, enhanced communication with workers, employment security, flexibility in job assignments, training workers for multiple jobs, and greater reliance on incentive pay. Increasingly firms are considering the adoption of these new work practices. It produces substantially higher levels of productivity than do more 'traditional' approaches involving narrow job definitions, strict work rules and hourly pay. In contrast, adopting individual work practice innovations in isolation has no effect on productivity. This evidence supports for recent theoretical models which stress the importance of complementarities among a firm's work practices.

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