Sustainability of the International Sourcing Model in Financial Services[1]

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Executive Summary

The aims of this study have been to assess whether the offshore sourcing model is sustainable in terms of meeting the concerns of employees and their nation states, the demands of customers and of client outsourcers and providers. In this report it is argued that while suffering from a number of teething problems, particularly in terms of maintaining satisfactory customer service, models of International Sourcing are showing strong sustainability features. At present, India has a comparative advantage over other locations mainly because of the large supply of English speaking, engineering graduates and the Information and Communication Technology (ICT) infrastructure that has developed as a result of early adoptions, especially in Bangalore but increasingly in several other Business Process Outsourcing (BPO) centres. However, competition for this lucrative business is “hotting” up as China and other South East Asian nations, Eastern Europe and Latin America bid for business. Risk management strategies suggest that these alternatives may grow just as quickly as they did in India. The report draws on an analytical framework (Knights et al., 2007) that draws attention to what tends to limit the wholesale displacement of conventional processes of delivering financial services to consumers through ICT in remote centres across the globe. This parallels earlier attempts to displace bank branches with call centres and which resulted in a proliferation of multiple channels of distribution. The lesson for UK financial services and other industries developing a strategy of BPO is not to put all their eggs in one basket and thereby to spread their sourcing across multiple providers and locations as well as to retain a degree of activity and expertise in the home economy. Another would be to refrain from the kind of secrecy that typified early ventures since the Internet is no respecter of a failure to provide open access to information and knowledge and can punish attempts to be over-protective and non- transparent. It also often results in the embarrassment of having the worst ‘best kept secret’ in the global economy.

Introduction

The growth of sourcing offshore and especially in India has been dramatic in recent years and is a significant feature of current developments within the global economy. For example the numbers of people employed in outsourced centres in India almost quadrupled in the 3 years between 2002- 2005 (see Fig. 1).

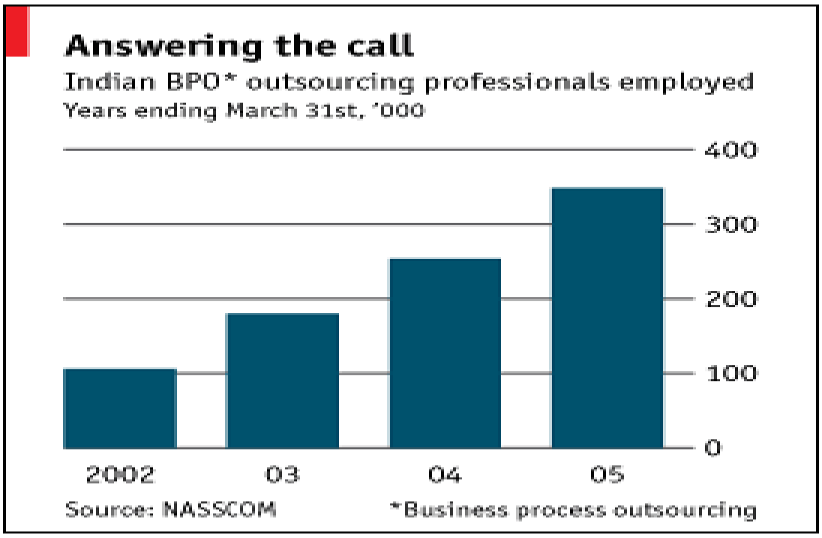

Fig. 1 Growth in employment in Indian BPO.

This growth of an Indian business process outsourcing (BPO) industry was made possible due to a wide range of changes in cultural, economic, political, and technological conditions around the early 1990s that are examined in more detail later. However, it is clear that the following were some of the more important stimulants to these developments:

i. liberalisation of world trade and employment law;
ii. a ready supply of comparatively cheap, English speaking, university educated labour;
iii. technological conditions that supported remote, virtual global transactions around software development, and information technology enabled services (ITES); and,
iv. the global growth of call and contact centres.

These conditions facilitate a remote *replication* of conventional domestic processes of delivering financial services to consumers. Through electronically *mediated* telecommunications, they enable customer service and sales to be located around the globe thereby *disposing* of parts of the infrastructure (e.g. branches and domestic call centres) of 'traditional' financial institutions (Knights et al., 2007). Replication, mediation and disposal have been central to all forms of virtuality and for offshore sourcing practices, they are simply their global extension made possible by the surplus of 'cheap supplies of Internet fibre-optic broadband connections' (Friedmann, 2005: 66) that appeared after the dot.com crash of the late 1990s. The report also demonstrates, however, some of the limitations of this process, as outsourcers often have to revert to earlier domestic or non-outsourced practices in dealing with non-standardised products or services.

Accounts of offshore sourcing tend to be polarized. At one extreme, it is perceived as a dream come true and, at the other, as a nightmare. The dream like quality is primarily a reflection of labour arbitrage where the costs are 10% of those in the domestic economy and employees are of a much better quality – partly because they are graduates that are ambitious, hard working and offer a degree of commitment comparatively rare in the UK. The threat of the dream turning into a nightmare is largely perceived in the responses of customers, some of whom are prepared to transfer their business in order to avoid the offshore call centre experience. There is the added anxiety that might arise from charges of neo-colonial exploitation of labour and the developing economies in which it is situated.

This report suggests that neither dream nor nightmare is the adequate metaphor to capture what we have discerned through our research on offshore sourcing. In cultural, economical, ethical, and political terms, offshore business process outsourcing (BPO) is much more complex than is conveyed by such characterisations. This is not to deny that elements of both these extremes can be found. However, by and large, they tend to be exaggerated hypes designed to convert unsuspecting victims to their cause. While labour is a fraction of the costs in countries like India, the savings are rarely as high as anticipated (Nasscom, 2003) not least because there are considerable costs associated with setting up and in monitoring an offshore facility. Clearly the setup costs can be mediated by going to a third party provider rather than creating a captive facility where the sourcer establishes its own facility, ordinarily staffed indigenously although managed by expatriates. A captive arrangement seems more appropriate when the sourcer is a large global player with an international brand since there are control, recruitment, retention, training and technological advantages. An alternative in between these two is a build, operate, transfer (BOT) operation where there is a joint partnership between client and outsourcer and again here it has been reported that they suffer a lower attrition rate than others in the industry. It is also significant that even the media has given a better press to such partnership kinds of operations (e.g. Prudential in South Africa). The report is intended to be exploratory and is organized in five sections as follows: first there is a summary of the aims and methods of the study before asking the question Why Offshore and, in particular, to India? Sections on Risk, Strategy and Customer Service and on Organization and Employment follow before there are some final concluding remarks.

Aims and Methods

The aims of this study have been to assess the sustainability of the offshore sourcing model whereby Western corporations offload their business processes, sales and service to developing countries. In particular, does it meet the concerns of employees and their nation states, the demands of customers and of client outsourcers and their outsourcing providers? In the United Kingdom, the general view is that the benefits of offshore sourcing fall primarily to the outsourcers who secure services at a fraction of the labour costs at home. The offshore economy is boosted by foreign direct investment and the growth in employment facilitated by sourcing and employees secure comparatively high status jobs at salaries well exceeding average pay for graduates in their economy. The question then hinges on whether these benefits are paid for at the cost of the consumer and customer service in the economies that outsource. Both primary and secondary research was deployed in the UK and India using a diverse range of methods – documentary investigation, interviews, focus groups and a website questionnaire. The website questionnaire (see Annexe 3) was designed to secure access to consumer attitudes to offshore outsourcing to complement that already publicly available. Some other data on consumer attitudes to Indian call centres was provided to us by Intersperience (a consultancy company) but was re-analysed for our purposes (see Figs. 3 & 4).

For the purposes of interviewing and other data collection, 4 trips were made to Bangalore and 2 trips to Hyderabad. Through collaboration with academics and other contacts in India and the UK, we obtained primary source materials that otherwise could not have been secured except at greater costs than the funding allowed. Some of the interviews in India were outsourced to indigenous interviewers who generally had experience of the sector. Interviews took place in the UK with 7 manager respondents who were responsible for offshore outsourcing and 2 interviews were conducted with relevant staff at the DBERR. In India the UK research staff conducted 30 interviews and one focus group with managers and staff working in BPOs. The interviewees ranged across the hierarchy of the organisations, from Managing Directors, to HR staff and supervisory and agent level staff[2]. In most cases, interviewees were happy to participate in future research and those at higher levels of the organisations indicated that they would be willing to provide further access within their organisations. However, subsequent attempts to gain access for more intensive research prove to be less satisfactory than what was promised. Managers would always be polite and seemingly cooperative but when it came to extending the interviewing or seeking observational access, we only experienced various forms of dissembling and avoidance while at the same time always saying yes to our requests for access. We soon discovered, as others have, that this is a major cultural difference as disharmony or conflict is sought to be avoided at almost any cost so that Indian managers will tend to say yes even when they mean no[3]. However, the difficulties of access cannot be seen as wholly a function of the 'closed door' policy of most Indian BPO companies so much as that of their client companies. Managers continually argued that their hands were tied because of the security problems and the fact that they could not sanction access independently of their clients in the West. While we had approached a number of these companies back in the UK, they were equally as cagey about access and even when promising it and providing contacts, the Indian companies restricted this to a few interviews.

The secrecy[4] surrounding offshore sourcing clearly originates with the Western clients who at first sought to conceal from their customers the location of their call centres even to the point of insisting that agents substituted Western names for their real Indian ones and that they were well informed about the culture to which the client's customers belonged. While Indian agents have tended to enjoy absorbing appropriate aspects of Western culture, the training in deception (e.g. false names) could have backfired in the sense of making some representatives feel less guilty about deceiving their own employers by passing classified data on to credit card fraudsters (BBC News 24, 2005; Channel 4, 2006). Mimicking a Western employee (see below) was never convincing and customers did not take kindly to being fooled by such dissembling and, as was argued by some of our respondents, the attempt at secrecy was bizarre since in an Internet age, information cannot readily or for long be kept out of the public domain. Still, almost all the companies in this research played the secrecy card and rationalised it in terms of the sensitivity of their strategies and tactics to competitive exposure. However, we believe this was counterproductive for it only served to fuel, rather than extinguish, damaging media images and negative customer attitudes.

It is hard to believe that the reason for secrecy is just the fear of bad publicity since the sector has already had more than its fair share of unfavourable media attention despite its over-protective attempts to conceal its practices. Moreover, secrecy tends to attract the investigative attention of the media. Perhaps part of the explanation for the secrecy is a fear that this major global experiment in supply chain procurement may prove to be less successful than is perpetually claimed and the industry is seeking simply to conceal this from its shareholders and customers.

When seeking access, we suggested that the industry suffered a bad press partly because of its secrecy and tendency to severely restrict research access resulting in it being a victim of the more sensational media accounts and narratives, which are rarely then balanced by research based findings. Despite this, research access was usually limited to one or two interviews and occasionally a PR presentation by senior managers. Several other interviews and in particular with front line staff, however, were conducted offsite by ourselves or indigenous collaborators (see Annexe 1), as has been the case in other research in this field (Bain and Taylor, 2004; Mirchandani, 2005; Taylor and Bain, 2005; Noronha and D'Cruz, 2006).

Why Offshore to India?

In conducting research in India, it is nothing less than an onslaught on our Western sensibilities to be confronted with the extreme poverty and degradation that exists at every corner yet side by side with state of the art architecture, multistory air conditioned offices and beautiful environmental landscapes that house 21st century business process offshore sourcing operations. How is it possible for such a poorly developed economic and social system to be the location of one of the most important information technology centres of the global economy? There are probably as many explanations as there are offshore operations and most have some plausibility but there were important political, economic, cultural and educational conditions at the end of the 1990s that coincided with the post dot.com bubble burst: cheap supplies of fibre optic cables and broadband Internet facilities making possible a micro-electronic telecommunication revolution in global sourcing centred on India. Although invented as early as 1977, fibre optics did not begin to replace copper wires, over which they were a massive improvement, extensively until the 1980s during the dot.com boom. Optical fibres are much thinner than copper wires so that more fibres can be bundled into a given-diameter cable enabling numerous phone lines to go over the same cable and facilitating a better quality voice reproduction than satellite communications[5]. At the same time, largely due to the dotcom bubble burst in the West, there were surplus, and thereby very cheap, supplies of Internet fibre-optic broadband connections (Friedmann, 2005: 66).

Politically and economically, the IT industry benefited from the decision by Finance Minister Manmohan Singh (now Prime Minister) to abolish trade barriers and controls in 1991 (Friedman, 2005: 314), leading to the best period of economic growth that the country has witnessed. By 1994, economic growth had increased from 3% to 7% per annum (ibid. 50) and 10 years later it was achieving growth rates averaging 8.6% growth each year but, according to Lehman Brothers Asia Ltd, India's economy is poised to grow as much as 10 percent a year for the next decade. It is also ‘increasing consumption and investment spending just as China and South Korea did during the early stages of their economic development, the report said’ (Thomas, 2007).

However, state policy had perhaps unintentionally prepared the ground much earlier through a longstanding economic policy designed to reduce imports by generating a home grown, ‘state-driven scientific and technical expertise’ (Upadhya and Vasavi, 2006: 18) and thereby creating a scientific and engineering infrastructure. Bangalore, in particular, benefited from this in securing a number of government scientific and engineering laboratories. In addition, the state has provided a number of tax-breaks, the duty free import of equipment, the free or subsidised provision of infrastructure and land, and the establishment in 1991 of software technology parks [6] (ibid. 10). Although now heavily criticized by the IT industry for failing to develop the road and transport infrastructure, the state of Kanataka, in which Bangalore is located, provided additional land and tax breaks for the purpose of attracting software investment.

Another major factor rendering the economy ripe for the offshore technology revolution was the heavy investment in higher education, and in particular the number of students graduating with degrees in engineering and computing. Previously they had been forced to seek employment overseas, but the new liberal economic policy encouraged foreign direct investment and the development of a fast growing BPO sector servicing mainly companies in North America, Australia, and the UK. The supply of cheap but well qualified and English speaking labour was clearly an attraction once the new fiber optics technology improved multiple long distance telecommunications connections and became sufficiently cheap to encourage the rapid growth of offshore sourcing. At the beginning of the 21st century, there was a massive expansion of software and BPO services not just in Bangalore, where possibly because of a comparatively attractive climate they had established themselves years earlier, but also in cities such as Chenai (Madras), Delhi, Hyderabad, Mumbai (Bombay), and Pune. Of course, the economic growth and affluence is uneven within the country, being centred on a handful of cities which possess or are able to attract a well educated workforce to meet the labour demands of the offshore sourcers (Knights and Jones, 2007). Furthermore, these cities then demand, and it is economically vital for them to secure, a disproportionate share of state investment to allow their infrastructure to meet global standards resulting in major political conflicts between the urban and rural economy.

The positive support for offshoring feeds off general arguments about the benefits of international free trade because of comparative advantages in the terms of trade between different nations and the removal of restrictive trade barriers that usually ensue. The combined effect of offshoring and increased international trade has led to economic growth rates in double figures and predictions that while emerging markets may currently only represent 21% of global GNP, by 2050 they will be double that of the developed countries partly because their own domestic markets contain 85% of the world’s population (Van Agtmael, 2007). Having a presence in emerging markets then, could be seen as vital for the long-term sustenance of Western economies as a whole and not just the particular sectors examined here.

Companies in general, but financial services in particular, can source or import their IT processing, and back and front office services from India at a fraction of the cost of domestic provision. At the same time, through the opening up of trade barriers, they can penetrate new markets with a range of financial instruments that are not as readily available in those less developed countries. In addition, they can take advantage of their presence in emerging markets to participate either directly in, or indirectly in terms of facilitating, mergers and acquisitions precisely in the economies of the future. Overall, the boost to world trade is seen to outweigh the potential threat to Western prosperity (DTI Interview, 2005).

On the other hand, offshoring attracts negative attention because of the loss of jobs in the domestic economies of the West. As the developing economies seek to move higher up the value chain in terms of what they service for the West, protests begin to intensify. However, concerns about offshoring have not been restricted to Western government's and their public's fears of rises in unemployment. Equally of concern has been the quality of service being offered by countries such as India but why has India tended to secure the larger share of offshore exports?

In an analysis of various characteristics comparing a large range of countries (see Table 1) including Brazil, Canada, China, Czech Republic, Holland, Hungary, India, Ireland, Malaysia, Philippines, Russia, and the UK, India came out on top overall. It topped the cost and people categories although on environmental matters it was lower than all except China, Russia, Czech Republic and Hungary. Despite these re-assuring findings, offshore sourcing still represents a risk.

Category (percent of total)	**Country characteristic**	**Metrics**
Cost (40%)	Cost of labour Cost of management & infrastructure Tax & treasury	Blended BPO & IT labour costs Av. cost of infrastructure (occupancy, utilities, telecoms, management) Corporate tax rates, profit realisation, exchange rates
Environment (30%)	Risk (economic, political) Country infrastructure Cultural compatibility Geographic proximity Security of intellectual property	Government support Infrastructure investments Cultural difference Geographic distance Relative security
People (30%)	Process experience Labour market Education Language Retention	COPC COM quality ratings, BPO expertise & offshore market share Available supply of labour Per capita education level Per cent fluency in English Turnover rates

Table 1. Why India? Adapted from A. T. Kearney http://www.atkearney.com consulted 18.2.07

Sourcing BPO in India: An Analytical Perspective

Offshore sourcing is an almost inevitable extension of the virtual and network possibilities enabled by the improvements in electronic information and communications technology (ICT) and can be seen as a significant means of responding flexibly to, yet also producing, more competitive, dynamic and global environments. Given that financial services are businesses of "bits" rather than "atoms" Negreponte, 1995), it might be expected that they would readily advance the potential(s) of the 'virtual' and, in particular, its most advanced form in offshore sourcing. There are three concepts[7] concerning virtuality that provide a useful analytical framework for understanding this development:

1. *Virtuality as electronic mediation*: This is most readily associated with commonsense invocations of the 'virtual', where electronic mediation refers to ICT as an enabler of networks of relations and transactions. Because they can be enacted remotely and without the necessity for physical or bodily presence, time, space and distance no longer remain a constraint. Offshore sourcing is a direct outcome of this development of micro-electronic telecommunications to facilitate virtuality.

2. *Virtuality as mimesis* or exact copy: Here the reference is to simulation, where a person, object or practice can have the same *effect* as if it were present physically even though it is *bodily* absent or disembodied. So, for example, when UK customers manage their bank accounts on line or even through call center telecommunications as far away as India, the effect of performing a money transaction is the same as if they were going to their High Street branch but the form has, as it were, disappeared into cyberspace or lost its material existence. This allows services to be transacted across widely dispersed and distant sites and without the physical presence of the parties to the transaction. Mimesis is closer to dictionary definitions of 'virtuality' as, for instance, essence divorced from embodiment, or the 'virtual' as opposed to the 'real' (Shorter OED). Consequently, a 'virtual' organisation may have the *appearance/effect* of a single organisation while in fact consisting of, for instance, a network of independent companies and other actors (contingently) combined to carry out a particular project. Similarly, 'electronic cash' can be used '*in the same way'* as *ordinary cash* while at the same time rendering redundant the cumbersome apparatuses, which the residual materiality of money imposes upon its handlers (Knights et al., 2007). In sum, the virtual stands for the ability to generate the effects of the thing without the thing itself, and we have already seen how despite cultural training and anglicized names, the Indian call centres struggle to provide an exact mimesis or copy of the Western service model which they are designed to dispose of or displace.

3. *Virtuality as Disposal*: This relates to how virtual trading must seek to dispose of or displace that which it leaves behind – retail branches, human decision making, and even telephone mediated human interactions. Call centre development coincided with a mass closure of bank branches, credit scoring disposed of senior branch bank managers who had authority to assess customer risk in granting

loans, and telephone banks such as First Direct have continually sought to migrate their customers to internet banking. That these attempts to dispose of the physical branch, the human risk assessor, or telephone communications has been less than fully successful or has had undesirable unintended consequences demonstrates how disposability can often be exaggerated in visions of technologically induced virtual trading (Knights et al., 2002). So, for example, the bank branch closure movement had to be halted and some banks even began to make a virtue out of opening more branches. Secondly, credit scoring systems threw up a number of anomalies in denying people credit simply because they were in the wrong postal district or had moved house recently and their existence could be seen as creating the conditions leading to the growth of a subprime lending market, which Western bankers and economies have found extremely costly. Finally, migrations from the telephone to the Internet has been laboriously slow suggesting that in matters financial, consumers are less trusting of disembodied technologies and prefer a human dimension. The practical problems of virtuality have commonly been articulated through vocabularies of disposal such as the migration of services to offshore call centres half way across the globe. It is clear that the offshore BPO sector in India cannot easily dispose of its parent back in the West either physically or symbolically. The brand of the Western corporation, for example, is an important resource in recruiting talented young Indian graduates and in retaining customers in the West who might otherwise be tempted to switch provider when experiencing frustration with Indian call centres. Also, services of a non-standardized kind frequently have to be re-directed back to the client company in the West (See Note 15). Even more important as some of our respondents recognized was that unless the UK maintained involvement in the activities, it would lose the expertise and become too heavily dependent on, and perhaps vulnerable to, its outsourced service provider.

Electronic communications networks take advantage of the constantly improving cost-performance ratio of technology in the relative absence of high labour costs. This analysis leads to at least two different interpretations of the modern organization. One focuses on the internal structure of the organization, which is seen as comprising of project teams linked by ICT networks. Because employees no longer have to be in physical proximity to work together, such organizations display certain 'virtual' features such as homeworking or teleworking (Hardill and Green, 2003). The second view has an external orientation whereby the organization no longer needs to carry out all its functions or tasks (e.g. administration, supply, production, distribution, sales, marketing, service, human resources) for itself stressing as does the vertically integrated corporation. Instead, a range of tasks are *outsourced* through various alliances, partnerships, and joint ventures (Quinn, 1992). In some examples of this form of outsourcing (e.g. Virgin Financial Services, Mondex), the organization may be little more than an empty shell filled by some symbolic content such as a brand name or a charismatic personality (e.g. Richard Branson).

Outsourcing is a practice in which an organization ordinarily contracts out non-core sectors of its business to other organizations that are often specialists in that particular activity. By doing this, the outsourcer 'can focus on what it does best its key capability – what is known as its core competency' (Greenberg and Baron, 2003: 21). At first, organizations were prone to outsource primarily their 'back office' functions and this was what led to the growth of business process outsourcing (BPO) in the fast developing Indian and Asian subcontinents. This notion of sourcing offshore, however, conceals a great many variations. There are those that simply establish a contract between the Western outsourcer and the offshore *third party* provider to advance a set number of services. Maintaining quality and output controls is dependent almost entirely on the provider complying with Service Level Agreements (SLAs) established by the outsourcer. As one of our respondents elaborated:

> Manager: Service level agreements (SLA's), which we find that errors must not be more than 13%.
> Researcher: Where do they come from?
> Manager: They would be in agreement with our clients. We'll give the client a standard at this level - documents we will complete in 5 days, 7 days, and certain type of urgent documents in 2 days, or 24 hours, everything has got a standard SLA. More or less a standard for every set of agreements, for all clients, we try to keep everything, that what's the service centre is all about keeping everything, up to standard … (Interview, Bangalore Jan. 2005).

At the other extreme, there are those that set up their own establishments through the transfer of a management team from the outsourcer to the offshore *captured* provider. *Captives* are wholly owned subsidiaries of the Western outsourcer but often they are managed either as a discrete profit centre or through service level agreements in the same way as third parties. The sale of GECIS, on the back of earlier sales of captive units by Swissair and BA 'are causing clients to seriously question the captive model for large outsourcing deals' (Callcentersindia, 2005a)[8]. The reason for this is that Business Process Outsourcing in India has extended beyond mere back office or front office call centre work to cover 'complex, end to end processes'. Also it is realised that the 'cost centre mindset in a captive will never achieve the operational efficiency of a focussed, well managed, profit driven third party supplier' (ibid.).

In between these two structures are many hybrid types where aspects of each may be combined. For example, a build, operate, transfer (BOT) operation where there is a joint partnership between client and outsourcer, has been seen as an alternative to the captive model. Broadly perceived as a partnership model, this involves the outsourcer training indigenous staff and overseeing their activities at least until they are seen as functioning at the required levels of quality and performance, whereupon they may be given autonomy to operate almost like a third party provider. A lower attrition rate has been recorded for these partnerships than for other models in the industry and the media has given them a better press (e.g. Prudential in South Africa).

These variations in structure only serve to emphasise that the mimetic model of sustaining the effect in the absence of the form or disposing of the client's presence offshore is difficult. Past arrangements or practices that characterised service or call centres prior to offshore sourcing remain resilient to disposal and a reminder of how attempts to wholly displace the old paradigm of customer service can come back to haunt the financial service provider. The grand vision of disposal often has to be abandoned in favour of some hybrid compromise. There is no better example of this, from our research, than the growing number of companies that ensure there is a 'fall back' position in place where the Indian customer service representative (CSR) is not allowed to manage customers with equanimity. In situations where the problem or product is not sufficiently standardised or commoditized to facilitate screen prompt resolutions[9], the call is redirected to the UK. Here the client is seamlessly transferred to a representative back in the client company who has the expertise to deal with non-standard inquiries or demands. An equally common response has been for parts of the business to be reclaimed completely by the client company through re-in sourcing the activity[10].

Variations occur not just in terms of the structure of relationships but also with respect to content. While it may be the case that in early developments, only activities peripheral to the core were outsourced, in many contemporary examples it could be said that the core itself is outsourced. As sourcing offshore moves higher up the value chain, this is likely to intensify. It derives partly because of demand push from corporate clients of outsourcers but also due to demand-pull from suppliers of outsourced services. As many of our Indian respondents indicated, they cannot afford to stand still but must seek to expand their market both across and up the value chain. Furthermore, they feel that their clients in the West need the benefit of their sharp-end expertise in other areas of the business, This is certainly the case with those companies especially in the financial services that outsource their sales and customer service functions as well as a great deal of administrative back office work. This is made possible because English is widely spoken and an excess of educated labour is available in these countries. As a consequence, sourcing of 'front office' functions in the form of call or contact centres is, in principle, viable. Since the initial attraction of sourcing offshore is primarily to save money[11] especially on labour costs, it is not surprising that sourcing soon migrated from back to front office. Consequently, it is no longer possible to describe outsourcing merely in terms of contracting out non-core business because if core business is also cheaper to outsource, little will prevent such developments occurring. Of course, what is core is debateable but organizations such as Virgin indicate that ultimately the only core is the brand since everything else can be outsourced. In effect the outsourcer is no more than the nodal point of a network of organizations all supporting the brand.

Research (e.g. Deloitte Research, McKinsey Global Institute) claims that labour costs are the main driver behind firms' decisions to offshore. For example, IT workers in India earn much less than their counterparts in the UK – around £3000 per annum in 2006. Of course, the total employment costs are much higher for, according to Evalueserve, 'recruitment and training makes up 3% of the overall per-employee cost of about $13,000 per year, including administration and telecoms costs' (Callcentersindia, 2005b). There are other additional costs involved in offshoring but the cost of processing offshore is still likely to be in the order of 50% less than at home (McKinseys quoted by DTI, 2004: 7). The report also lists other advantages and disadvantages that companies need to take account of before reaching a decision to offshore (see Figs. 2, 3 & 4). In our research so far, the overwhelming argument in favour of offshoring to India is the labour cost savings and supply of a well educated workforce. However, we anticipate that as the skill base, expertise and knowledge broadens both within the provider companies and in the wider community, there will be increasing competitive advantages of offshoring to India. Also the advantages of access to a large market and the economies of scale in focusing these activities in one location will be more significant in the future.

Outsourcing Risks and the Consumer

There may be a number of risks associated with sourcing offshore, not least the migration of customers away from organizations in which agents are only able to access standardized computer solutions to problems even when dealing with non-standard products. As has been noted, a number of the companies where we conducted research had managed this by re-inshoring calls that demanded a non-standard resolution. Other risks revolve around the potential for BPO providers to expand their operations through horizontal integration with the effect, possibly, of extracting much higher premiums for their service. This might coincide with the situation where parent companies have suffered skill degradation as a result of long periods of relying on outsourced work. The tables can then be turned whereby they become highly dependent on their global BPO providers because the latter have developed a monopoly over the tacit and explicit knowledge required for servicing customers. An equally likely scenario is perhaps for the outsourcer to engage in backward vertical integration with the provider in order to prevent such developments. We have already seen the captive or in source model where an outsourcer sets up the operations in a developing country with only labour from the host country and a management team wholly recruited or transferred from the West. However, as was reported earlier, India is claiming that this captive model is declining as outsourcers sell on their providers to 3rd party BPOs. There is increasing evidence that Indian BPO conglomerates (e.g. ICICI One Source, Tata, Wipro) are establishing their operations outside India and, in particular, in Western economies where they could readily compete with those companies for whom they provided offshore services.

Risk has a diverse range of meanings attached to it. At one extreme, financial economists see it as the outcome of a technical and objective rational calculation whereas, at the other extreme, cultural theorists see it as not independent of the context and object to which it is applied. The finance model is built on the notion of efficient markets where risk can be mathematically calculated to inform the appropriate action. According to the cultural model, risk is a not a property of the object to which it is applied but rather is constructed according to cultural values, the social context in which it is enacted and personal beliefs. Businesses and consumers operate at different points on a continuum between these two extremes.

Businesses are closer to the technical rational end of the continuum and develop strategies of risk management to limit the potential negative consequences of any of their activities. In pursuing a sourcing strategy, they carry out feasibility studies to assess all the risks against the benefits and evaluate a range of options regarding countries of location, type of structure, and then choice of partners – the latter of which is the most important when using third party providers. 'Business Process Outsourcing (BPO), as such highlights the distinct difference between narrow drives to "efficiency" and overarching strategies aimed at "economization". While standardized operations may be efficient, for example, their adoption arguably requires strategic tradeoffs. Even at the frontiers of development, a trade off between costs (however much these are reduced) and a defective service (or perceived "poor service") is arguably a weak exchange. And it is a substitution that does not make for a persuasive international strategy. Put another way, it is difficult to envisage a deliberate corporate strategy to treat all its customers equally badly' (Jones, 2007: 7).

Yet to some degree this is what has happened when service is sourced offshore in India.

Customer Experience

Consumers are closer to the cultural model of risk and this is why they may often be described as irrational. They may at one and the same time identify something as risky and yet still behave as if they had not reached that conclusion while, on the other hand, can refrain from responding to something that offers benefits without risk. So, for example, in the early days of Internet banking many consumers were reluctant to deal in their finances over the Internet while at the same time happy to deal over the phone where the security risks were generally much greater. Without any or perhaps even contrary evidence, consumers felt able to trust a person more than a machine. Perhaps partly because of this it has been argued that in the UK and US 'we need to avoid strictly manualised procedures and perhaps sacrifice some efficiencies to ensure that customers receive, or at least perceive, some level of personalisation.' (Winstead, 1997). But then how do customers respond to the personalised services they receive when sourced to India?

There have been concerns about the impact of offshoring on customer service and within the developing economies, where sourcing takes place, it is clear that a range of difficulties as well as benefits exist. We will examine these in the section on organization and employment. First, however, let us turn to the question of whether offshoring companies are sacrificing customers at the altar of cost cutting on call centre and back office service. Also it is important that Western companies examine the extent to which they are generating competitive retaliation that could result in some erosion of the current trade advantages of offshoring.

The anxiety and ambivalence concerning customer service resulting from sourcing offshore is not readily dismissed. In cafes, pubs, restaurants, and other everyday public places, a common topic of conversation is the frustration felt when phoning a provider of financial or other services to find that the call is diverted to India or some other far away location. Our website data[12] and a re-analysis of some comparative research data are suggestive of a gap between domestic and offshore customer service. As we can see from Figures 2, 3 & 4, customers find the service much less satisfactory when sourced to India rather than provided domestically. The explanations given for this in our website research and in secondary research (most of the research is generic rather than exclusive to financial services) that we have consulted are in order of importance:

1. Insufficient knowledge to deal with complex inquiries or problems (50% of our responses to web questionnaire)
2. The accent makes communication difficult (50% of our responses to web questionnaire)
3. The telecommunication line is often imperfect because of echo or feedback.

From a survey of around 1,000 readers in the Mail on Sunday, Richard Dyson (12 February 2006) reported that Overseas Call Centres remain one of the most hated aspects of dealing with banks and other companies. Few including the big organisations such as Norwich Union escaped their criticisms and BT was one of the top four companies for complaints.

There is a general perception among customers that they are not receiving good customer service (Hulme, 2004 drawing on but modifying an earlier study by Winstead, 1997). He found between 6% and 9% poorer levels of understanding, care, knowledge, and tailoring offshore (mainly India) compared to the UK (see Fig. 2). Thus, as fig 2 shows, UK Call Centres were consistently rated more highly than Offshore Centres with respect to how well staff understood and gave due care to a customer's concerns and requests, the extent of their knowledge and how well they could tailor their responses to the customer's needs.

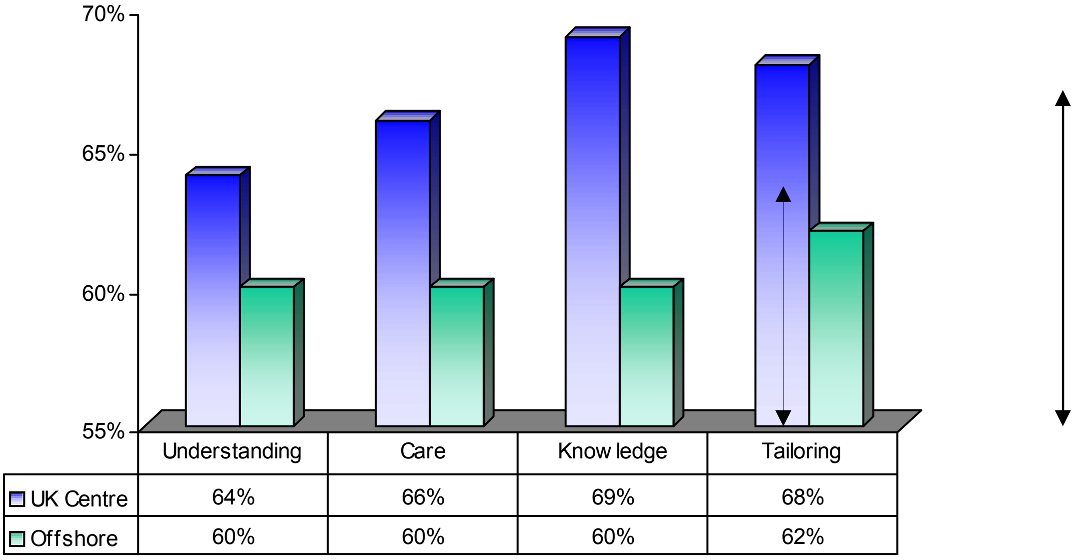

Fig. 2 Comparisons of Call Centre Service adapted from Intersperience based on Winstead

We also carried out independent analyses of some comparative data provided to us by Intersperience. The pie chart below (Fig. 3) provides a comparison of a number of call centre countries measured against 48 different service criteria (see Annexe 2) and it shows that overall the UK sites perform better than the Indian sites. The percentages relate to the number of times a site was ranked best on these attributes. This serves to reinforce the findings of the earlier research on Indian call centres.

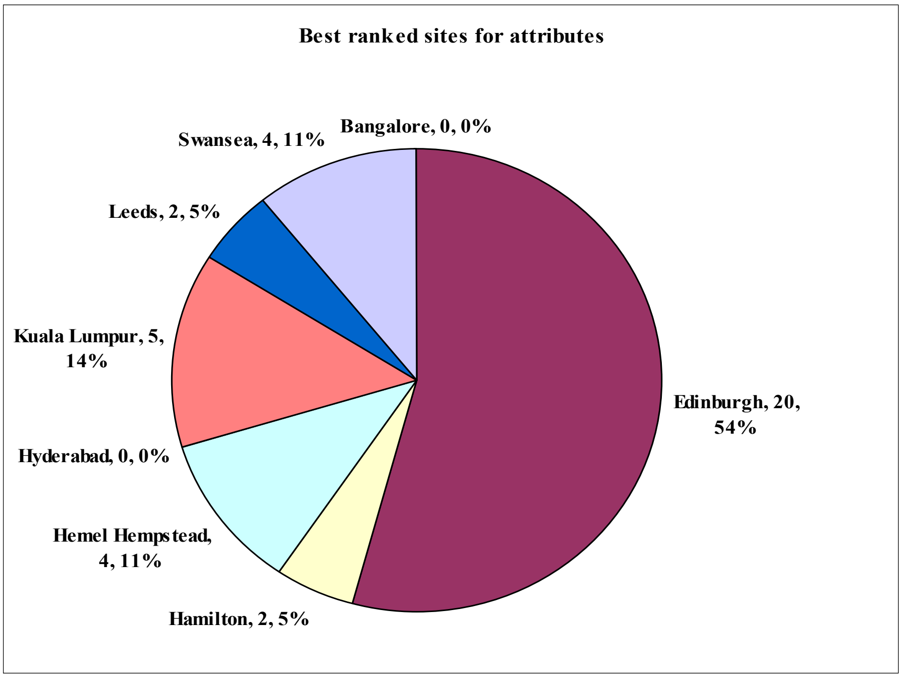

Fig. 3 Comparisons of service in UK and Indian Call Centres. The data involved a re-analysis of raw data provided to us by Intersperience (www.intersperience.co.uk)

In our analysis, Edinburgh turns out to be the best site scoring best on 20 attributes and no worst scores whereas Hyderabad has to be seen as the worst site in never having been rated best, rated average twice, rated worst 6 times and having the second lowest ranking for time taken on calls. Research carried out by ContactBabel on behalf of the DBERR in the UK found that call centre staff in the UK answered 25% more calls than their colleagues in India and resolved 17% more enquires on the first call. In achieving the largest number of average scores, but also the largest number of worst scores except for Leeds, and no best scores, Bangalore has to be seen as being at the bottom end of the scale of average. This is made clearer in the histogram chart below (see Fig. 4).

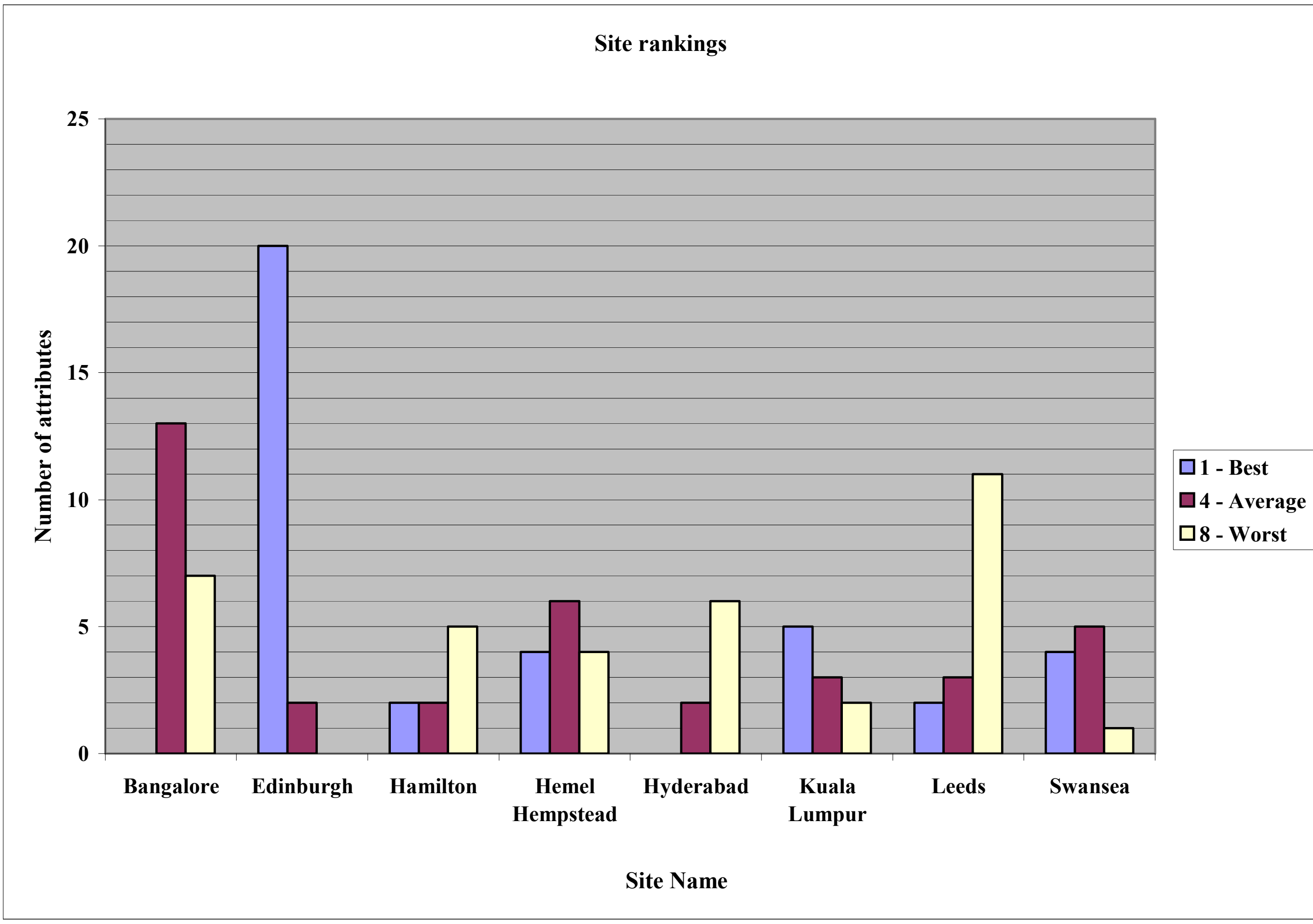

Fig. 4 Comparisons of service in UK and Indian Call Centres. The data involved a re-analysis of raw data provided to us by Intersperience. (www.intersperience.co.uk)

There has been some improvement since this data was collected in 2004 and it has to be remembered that much of the data is based on perception since when the call centre's source in India was disguised, the difference in customer satisfaction between India and call centres based in the UK was less marked (Hulme, 2004). Also Paul Hudson at Intersperience[13] is suggesting that much of the gap between domestic and offshore customer satisfaction scores may be accounted for by 'noise' – the existence of 'negative comment and publicity', which has now reached such a high level that it may be influencing perceptions and making satisfaction comparisons unreliable. There could in fact be 3 influences on perception: i) negative background perception, ii) a cultural clash and iii) 'real' differences in skills because of inadequate training in offshore centres. These understandings would give limited support to the view of a number of the managers we interviewed that negative consumer attitudes to outsourcing in India are based on prejudice rather than quality of service.

Despite these qualifications, it is still clear that anxieties about offshore sourcing to India have some substance. For many consumers, it is a step too far in terms of delivering on the much-vaunted commitment of companies to customer service. It is partly the widespread criticisms that have led providers in India and elsewhere to disguise the location and identity of the agents – another practice that attempts a mimesis whereby the UK service paradigm is simulated to produce the same effect despite its absence in fact. The process of mimesis involves the Indian call centre seeking to simulate the very 'thing' that it displaces – the UK or US call centre, thus eradicating any trace of itself. This is a practice that in conjunction with enforcing Western names on agents, can also readily attract the charge of adopting a patronizing, postcolonial stance. Moreover, there is evidence that voice to voice or frontline call centres only work well with mass produced, standardized and commoditized products or services – a declining market as consumers demand more personalized or customized relationships with providers. Of course, outsourcers are aware of these difficulties and are responding with appropriate caution, and in certain cases, re-inshoring some of the services (see Note 10). Indeed one of our UK respondents argued that there are now more consultants providing a re-inshoring package than are offering offshore services (Interview with senior manager, 28th Feb. 2007).

Organization and Employment

There have been a limited number of primary empirical studies of offshore sourcing but most have been concerned with the problems experienced by front line staff due to the pressure of work, unhealthy working conditions and night shift working (Taylor and Bain, 2005; Marchandani, 2003; 2005).

Problems or complaints reported by staff from our research in India include:

- Training Deceptions such as false names and concealed location;
- Perception of poor security;
- Poor retention of labour with 65% turnover rates;
- Labour discontent generally resulting from grievances re late payments to front line employees, limited celebration of non-Western holidays, night shifts, and intensification of work.

These results tend to parallel similar studies of domestic call centres in the West but they focus almost exclusively on the negative aspects whereas the difference in India is that the work is extremely well paid, comparatively high status because of working for brand name companies in the US or Europe, and the better centres attract good fringe benefits. We found from most of our interviews with customer service representatives (CSR's) that these benefits more than compensated for any negative features of the work.

Also in terms of sustainability, we had access to independent research that assessed the relative strengths of the software and information technology enabled services (ITES) sector compared with the manufacturing sector in India. The average turnover of small-size companies in this sector is about 9 crores[14] of rupees (approx £1.2m), while that of the medium and big companies are 150 (£20m) and 1246 crores (£166m) respectively. 'On an average, per rupee turnover the earned profit share is higher for the middle-size firms' (Rajeev and Vani, 2006 p. 199) and a majority of outsourcing companies are in this category. By contrast, the average turnover per firm in the manufacturing sector was is about 7.84 crore (£1m) in 2001-02, which increased to 8.49 crore (£1.13m) in 2002-03. Thus, on an average IT-BPO firms operate on a much larger scale (p.200). This study also assessed the relative performance of different sectors of the Indian BPO industry and found that financial services and customer care sectors were the better performers (see fig. 5) and it is clear that financial services, customer care services across sectors were the best performers and thus would be expected to be the more profitable. This may suggest that financial service companies in the UK could benefit from buying their outsourced providers as long as they retained the indigenous management and staff.

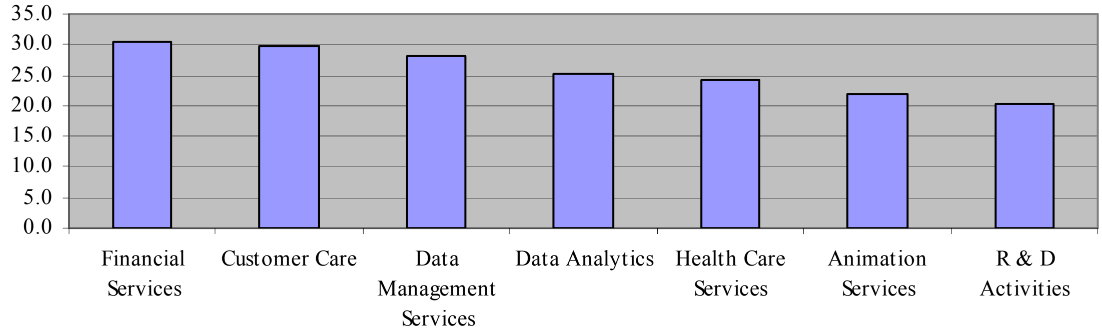

Fig. 5 Performance of different BPO sectors (A longer bar represents better performance) ***Source:*** **Field Survey Conducted by Rajeev and Vani (2005 p.88)**

Staffing

The majority of the staff employed within the BPO industry are young graduates and according to NASSCOM (2006) 'India has the single-largest pool of suitable offshore talent – accounting for 28 per cent of the total suitable pool available across all offshore destinations and outpacing the share of the next closest destination by at least a factor of 2.5'. Despite this, the industry is growing at such a rate that there are frequent shortages of staff competent to perform leadership roles, resulting in the more experienced staff often perhaps prematurely being promoted to team leaders. Also, although experienced at the tasks conducted within the BPO, these comparatively young employees often have no experience of or skills in managing people.

Attrition was repeatedly mentioned in our interviews as a major problem not helped by the poaching of staff, which was described as 'rampant'. However, there is a slight tendency for the industry to exaggerate attrition rates (Upadhya and Vasavi 2006). What they found was a growing trend for younger staff to be more mobile since of those in their sample who had been working between one and two years, only 37 per cent were still with their first employer, while of those who had been working for three to five years, 58 per cent were still with their first company (ibid. p.51).

Our research and secondary data suggests that much of this attrition is a function of 'leapfrogging' where CSR's with some experience simply move companies to acquire a better salary but also to relieve the tedium of what is essentially highly repetitive and high intensity work. The battle for talent has led to a 10-15% rise in employee salaries in 2005, and this is significant as this accounts for around a half of operation costs (Evalueserve, 2005). But the really damaging cost is the lost business for companies, which cannot fill key jobs quickly enough. Many face a shortage of midlevel manpower to manage their rapid growth as they lure clients with promises of 40% to 50% cost savings. As the industry clocks up 50%-plus growth, demand for quality personnel is outstripping supply. Employees often hop to new jobs for slightly more money, and many do not view back-office work as a career (www.callcentersindia.com, consulted April 2006). This is consistent with primary data we collected in interviews (see below).

In a country that has traditionally valued the 'professions', the BPO industry is often unrecognised or not valued as a career. Our interviews with staff demonstrated that only a minority (18%) perceived it as a long-term career (See Annexe 3). The response of one person's father when he told him that he would be joining a BPO company (he had been an engineer) is illustrative:

> 'What do they make?'
> 'Nothing'
> 'Why do you want to work for a company that doesn't make anything?'

One of the problems is that many of these companies appear not to have developed a career structure for their graduate employees. A recent case study reported the complaints of team leaders that the company 'did not have an adequate internal growth to positions of greater responsibility' (Singh, 2007: 51). Exits from BPO happen for reasons of 'lack of growth avenues, expectation mismatch, dissatisfaction with organisational policies, and the quest for a better job profile' (**www.Callcentersindia.com**, March 2005).

A problem that companies appear to be facing is motivation of staff over the longer term. One senior manager reported that after approximately one year, the performance of staff drops significantly. A requirement for recruitment to the industry is a university or college degree, and many even have postgraduate qualifications. They are very bright and highly ambitious and after a short time fail to feel challenged by the tasks they are required to carry out. It is therefore a key task for managers to maintain motivation in the longer term and to provide and manage careers and challenges for these staff. The managers we interviewed felt that there was a need to raise the profile of the industry as an acceptable sector and as a valued career path for graduates. It is not just the comparatively 'flat' structure of these organizations that renders this difficult but also the bad press that the industry suffers – a factor that we continually emphasised in our attempts to secure research access (see earlier discussion).

Summary of staffing problems

There is a significant skills gap in that few of the graduates being rapidly promoted to team leaders have acquired leadership or people management competencies and skills and training and personnel development would seem necessary in order to produce effective lower middle manager/supervisor level staff. Career blockages above team leader level help to fuel a short-term attitude to the work on the part of graduates. Spans of control are comparatively large thus leaving few positions to fill for those seeking a long-term career. This also exacerbates the high attrition rate since moving is the only one sure way of improving salary level. Given the security sensitivity of the work carried out in call centres, there are considerable regulatory risks both in the levels of staff turnover and these broad spans of management/supervisory control. The problems can be summarised as follows:

- A significant skills gap in general people management and leadership competencies and skills;
- Career blockage above team leader level helping to fuel a short-term attitude to work;
- Spans of control large leaving few positions available for those seeking a long-term career;
- Exacerbates the high attrition rate since moving jobs is the only sure way of improving one's salary level;
- Regulatory risks due to high staff turnover and broad spans of management control

Regarding resolving some of the staffing problems, we recommend:

- Either large-scale management training or the transfer of managers from the home economy to the outsourcer. This is not an outlandish proposal since captives especially do deploy several of their UK staff in their overseas operations.

Summary and Conclusions
As indicated earlier, research for this report has involved both primary and secondary data both in India and the UK but the primary research has been restricted by limited access largely because of the secrecy, and closed-door policy of the Indian BPO companies and their clients in the West. It has been argued that this secrecy is neither sustainable nor a sound policy. It is not sustainable because the Internet puts everything into the public domain and the high level of staff turnover in the industry means that the confidentiality built into agents' contracts cannot be readily policed. Clearly security has to be very stringent because of the financial sensitivity of the data they process and the potential for staff to be tempted by the offers of fraudsters but to use this as an excuse to veil the whole business in a shroud of secrecy is probably counterproductive.

Despite comparatively limited access, this report has sought to provide an independent assessment of the rapidly expanding global offshore sourcing particularly with reference to financial services. The attraction of the international sourcing model has been principally the comparative cost advantages given that Indian labour costs are a fraction of those in the West. However, these lower costs are only part of the story for the available labour is also better qualified, skilled and probably more highly committed. Furthermore, the concentration of software and information technology enabled services (ITES) in a single location (e.g. Bangalore or Mumbai) creates innovative synergies and other cost savings not dissimilar to those associated with the Silicone Valley effect in California.

The report has used an analytical framework concerning the extent to which offshore sourcing may be seen as an exemplification of virtual trading where through electronic mediation Indian call centres seek to mimic or simulate the Western paradigms of customer service that they have displaced. Perhaps secrecy in the industry could be explained by its concern to avoid its belief in the global experiment being disrupted in evidence to counter the virtual model of electronic mediation, mimesis and disposal of the traditional business model. However, this research found that the attempt to fully dispose of the older paradigm was doomed to failure not least because of non-standardized products and services and other complexities. To some degree there are those in the industry that realize such disposal would be disastrous, since the outsourcer would lose its expertise and become wholly dependent on global providers rendering it vulnerable to power struggles and other potential disruptions. Ultimately the industry may have to realize, as it did when experimenting with Internet banking where channels of distribution were just multiplied rather than traditional ones being displaced, that mixed business models – old and new – are likely to prevail. The offshore business model may only be sustainable once the industry loses its infatuation with a 'one best way' of organizing its customer services. Clearly, there is much to be gained from offshore sourcing to developing countries like India in terms of comparative costs, innovative potential, access to a mass market, investment opportunities and strategic competition but it is probably wise to retain or develop a multiplicity of distribution channels and diverse service locations, including some in the home economy.

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Annexe 1: Results from interviews conducted by indigenous interviewers

Issues reported by interviewees	**% of interviewees**
Felt it was a short term career	70
Felt it was a long term career	18
Had no view	12
Their companies had medical facilities	70
Reported work related medical problems (e.g. headache, stomach or sleep problems)	60
Reported abusive customers – Most handle this with politeness but some hang up. Only a few companies have a policy for this.	64
Reported a campus atmosphere (e.g. fun, enjoyable)	62
Their companies had a sexual harassment committee*	10
Reported Stress	75

* In informal discussions with several BPO staff, we discerned that sexual harassment was quite a frequent occurrence in Indian call centres and although this may be exaggerated, it is clearly the case that only 10 % of interviewees reported that their companies had instituted formal proceedings to deal with it.

Annexe 2: Data from which Fig. 3 & 4 were constructed.

The estimation was done using a logit model that performs the maximum likelihood estimation of models. Here the dependent variable is the Site Type that takes the value of 1 if it is global site and 0 if it is a UK site. Of the data given, the following variables were taken as the independent variables. The logit model tells us how likely it is that the site is a global site or a UK site based on the given scores. Based on the data given, we can definitely say that the better the scores are, it is less likely that the call was taken by a representative at some global site. This would imply that call center agents at UK sites score better in their calls than their Global site counterparts. Also, the time taken by the UK representatives is shorter than the Global agents.

1. Style
2. Manner
3. Introductory preliminaries
4. Confirmation skills
5. Time taken to understand
6. Use of similar/appropriate language
7. Leadership skills
8. Ownership skills
9. Regular checks if caller has understood him/her
10. Phrasing of questions
11. Appropriate/relevant questioning
12. Helpfulness
13. Warnings/Signposts
14. Ensuring unbroken support
15. Structure
16. Demonstrated positive listening through confirmation
17. Clarity of speech
18. Degree of scripting
19. Friendliness
20. Jargon
21. Level of information
22. Tailoring/interactivity skills
23. Knowledge
24. Concisely dealing with the agent
25. Summarize
26. Check for satisfaction
27. Impression
28. Clarity
29. Tone and Manner
30. Politeness and Courteousness
31. Friendliness and approachable
32. Provided confident and enthusiastic delivery
33. Use of positive language
34. Overall impression
35. Overall efficiency
36. Weighted greeting
37. Weighted security
38. Weighted establishment

Announcement score (ascore in data)

Skillscore

Callscore

Overallscore

39. Weighted control
40. Weighted manner
41. Weighted information
42. Weighted call handling (excl sales) Wscore
43. Weighted close summary
44. Weighted effectiveness (excl sales)
45. Weighted resolution
46. Weighted call close
47. Weighted check for satisfaction
48. Call length

Annexe 3: India Call Centres Customer Experience Survey

Question Set 1
When ringing a product or service provider and been put through to a Call Centre that you suspect to be in India........

Have you..

experienced **any** problems?	☐ Yes ☐ No (If No, please tick and skip to Question Set 2)
experienced repeated major problems?	☐ Yes ☐ No
experienced major problems on a single occasion?	☐ Yes ☐ No
experienced minor difficulties?	☐ Yes ☐ No
Please outline the problem in as much detail as possible.	If the problem related to a particular sector, please state which. i.e Financial services, Utilities, Travel, Product Technical Support, etc. and if the problem related to a specific product or service, please outline. If the problem was specific to a call centre person, please outline.

Question 2.
Were the problems eventually resolved and if so, how?

Question 3.
If problems remained unresolved, what did you do?

Select one

- ☐ Complained to provider
- ☐ Asked to speak to someone more senior
- ☐ Asked to be routed to a UK call centre
- ☐ Changed supplier
- ☐ Other.. please describe below

Any other action taken

Question 4.
Have **you ever been rung up** by a call centre that you suspected was in India?

If so, describe the experience

Question 5
If you were advising UK companies about outsourcing their call centre operations to India what would you say?

Submit Clear

Thank You

Notes

[1] I acknowledge the Financial Services Research Forum at Nottingham University Business School that funded this research. Also The following people provided a good deal of assistance at different parts of the project: Dr. Beverley Jones, Sudha Kannan, Dr. Emma Surman, and a large number of interviewers and interviewees under the auspices of Karthik Sheklar. Also thanks to Nigel Waite for editorial advice.

[2] During one of the trips to Bangalore, collaboration with Ernest Noronha from the Indian Institute of Management in Ahmedabad (IIMA) was of considerable benefit.

[3] In his study, Van Marrewiijk (2007) found that Dutch project managers sourcing to India were extremely frustrated by the tendency for Indians to say yes whether or not they had any intention of behaving in accordance with such a response. 'Pleasing your colleague or supervisor makes it for Indian project employees difficult to say no' (ibid. 16).

[4] The need for some secrecy is accepted in relation to the personal data on customers that agents have access to but this need not be extended generically as has been the case.

[5] Although the satellite technology has been used in offshoring, high frequencies degrade the signal strength over quite short distances and over long distances an echo effect is common (http://electronics.howstuffworks.com/fiber-optic4.htm consulted 23.10.07).

[6] The Software Technology Parks of India (STPIs) were set up as export zones dedicated to the software industry providing communication and other facilities that enabled software companies to

operate offshore in India, rather than working through 'bodyshopping', where Indian IT experts work on the site of the customer (Parthasarathy 2005:208 cited in Upadhya and Vasavi, 2006: 10).

[7] These are drawn from our Economic and Social Research Council project The Virtual Market Place? Implications from the Financial Services Sector AWARD No L132251046. I acknowledge colleagues Faith Noble, Theo Vurdubakis and Hugh Willmott who were members of the team. More detail can be found in Knights et al., (2007).

[8] The contact centre market in India is expected to see a major change in the next two years with third party service providers expected to dominate, according to a study by the independent analyst firm Datamonitor. "Just 36% of agent positions in India were offshore outsourced at the end of 2004 with the remainder located mainly in offshore in-house operations of big multinationals. However, by 2007, the tables will have turned in the outsourcers' favour," says Datamonitor. "By 2007, new outsourced seats will outnumber captive ones by a factor of 10:1 in India and the outsourcers will continue to hold sway going forward. Just 12,000 net new captive seats will be added between now and 2009," the study predicted. According to Datamonitor, more firms are set to follow the likes of British Airways, Citibank, General Electric and HSBC and spin-off a part or all of their captive operations in India. (Calls Centers India, 2005b)

[9] Even in non-outsourced call centres, screen prompt resolutions often fail but the cultural knowledge of the CSR allows for them to be overruled in order ensure good customer service (Alferoff and Knights, 2008). This is not always possible with offshore facilities.

[10] Among the work moved back to the UK by Aviva, which has cost 150 jobs in India, has been the handling of household insurance claims. The Aviva spokeswoman said that if, say, a claimant reported a flood because an immersion heater was broken, Indian operators found it hard to understand because they don't have them. Other services moved back to Britain include credit hire and executive pension schemes.

[11] Of 170 executives in the customer service industry interviewed in recent research work, an amazing 22% stated that their prime concern was costs rather than service (Hulme, 2005)

[12] Between July 2005 and December 2006, 30 responses to our brief web questionnaire (see Annexe 3) were received. Given this limited response, we cannot make a great deal of the data but the responses were related to Travel 16%; Telecoms 26%; Financial Services 20%; Utilities 13%; and not stated 23%. Around 50% suggested that they shouldn't outsource to India and 20 % thought it was unethical.

[13] Private email correspondence with Paul.Hudson@intersperience.co.uk Website www.intersperience.co.uk is currently conducting research to test the noise hypothesis.

[14] 1 crore = 100 lakhs or 10 million rupees.