Challenges of ITES Companies in India

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Abstract

Information Technology Enabled Service companies in India are providing services to domestic as well as offshore clients because of the availability of low cost talented English speaking employees. The growth of outsourcing industry in India is impressive and companies are providing services in low-end as well as in high-end services. However, sustaining this impressive growth is not possible always as these companies are facing continuous challenges in terms of competition, global slowdown, scarcity of talent, attrition of employees, and many other HR and technology related issues. The present study investigates the challenges of the ITES companies in India. It discusses the problems, preventive measures and strategies followed by the ITES companies using case study methods.

Key Words: Outsourcing; BPO; KPO

1 Introduction

Outsourcing is a contract-based relationship between client and vendor organisations in which a client(s) contracts out all or part of its services to a vendor(s), who provides agreed services in return for remuneration. It is a phenomenon in which a user organization, i.e., client, transfers property or decision rights over Information Technology (IT) infrastructure to an external organization, i.e., vendor (Loh and Venkatraman, 1992). Outsourcing of services from developing countries is increasing day by day and worldwide business of IT outsourcing reached almost US$ 64 billion in 2001. The Information Technology Enabled Service (ITES) industry steadily increasing its contribution to India's gross domestic product (GDP) as reached 6.0 per cent during 1998-2009. The employment provided by the industry increased more than 8 times during 2000-2009 and reached 2.2 million in the financial year 2009 (NASSCOM, 2010a). Initially, after IT outsourcing, outsourcing of low value services such as help desk, customer support, etc., was started and companies earned a large amount of profit. These low value services are called business process outsourcing (BPO) as the process is outsourced from an external vendor. Thus, outsourcing companies here play a crucial role and the companies make the service available 24*7.

BPO is one of the fastest growing segments of the ITES industry. Gartner (2004) defines BPO as the delegation of one or more IT related job to external service provider that owns, administers, and manages the selected processes based on defined and measurable metrics. With annual revenues of US$ 60 billion, the Indian IT-BPO industry is emerged as the largest private sector employer in the country with direct employment of 2.23 million professionals and indirect employment of over 8 million people in related industries (NASSCOM, 2009a). Interestingly, the sector is responsible for recruiting the largest number of qualified women from the overall workforce of 400 million (NASSCOM, 2009a). IT-BPO exports (including hardware exports) reached US$ 47.3 billion in the financial year 2009 as against US$ 40.9 billion in 2008, a growth of 16 per cent (NASSCOM, 2009b). Reasons for continuous growth of the industry in India and other developing countries are the advantage of labour cost arbitrage, economies of scale, risk mitigation, flexibility in operation, availability of competent skilled personnel in lower salaries, government support, etc. The evolution and maturity of the Indian BPO sector has given rise to yet another wave in the global outsourcing scenario in the form of knowledge process outsourcing (KPO).

KPO work is more skill based, analytical, and judgment oriented. KPO works include pharmaceutical, biotech, data integration and management, financial, research and analytics, technology research, computer-aided simulation, engineering services, etc. It also includes professional services such as business research, legal services, financial analysis, management consulting, etc. India is continuously showing higher growth in outsourcing of not only low value added services but also the high values added services. Reasons behind this success are the availability of large and diverse talent pool, large English speaking skilled workforce, reduced time for data analysis, etc. The high end-value KPO promises to provide long-term jobs for intellectual, analytical, and knowledgeable people with a pay scale much higher than the BPO sector. It is expected that over 300,000 jobs are likely to be available in the KPO sector in the near future (Evalueserve, 2007).

However, because of global recession and increased competition, ITES firms in India are facing difficulties in dealing with their offshore clients. Initial market dynamics had enabled large corporations to establish their captive centres in India. However, with the emergence of local vendors, captive centres are facing increasing competition. The third-party vendors took a lead over captive centres by 2009-10, particularly in service domain and product development. The major reasons for this upcoming trend in the industry are increased costs, increased attrition, lack of integration and management support, and lesser flexibility in case of captive centres. Besides, increased level of services of the virtual captive centres and better management of security by the third-party vendors have made them viable alternative to captive centres. In the present study, we try to find out the challenges faced by the ITES companies in India as well as discuss their strategies of dealing with these issues.

2 Objective and significance of the study

The study tries to find out the challenges faced by the ITES companies in India. Initially, issues related to different challenges faced by these companies are discussed with the senior executives to derive the major challenges. The ways ITES companies try to manage these issues are also discussed. Finally, policies and strategies followed by the companies to resolve the challenges and derived solution of the problems are discussed. India is becoming the hub of BPO and KPO. Increasing demand to outsource to developing countries is creating a lot of opportunities as well as competition in many host countries. However, the impact of the ongoing changes in the world economic order on this sector may have far reaching consequences which need to be delved upon. Preliminary research from various companies indicates significant impact on export segment as ITES is a globally integrated industry. Reason for continuous outsourcing may be a constant pressure on companies to cut their costs and remain competitive. It becomes very crucial to get success in this unpredictable environment. Indian government is framing several favourable policies to provide a more conducive regulatory environment for global corporations with incentives like the ten-year tax holiday, rebates in custom duties, etc.

Clients' reason to outsource or expectations from the service provider companies give an important way to derive the success factors for service providing companies. In the knowledge based industry, opportunities and risks facing in this emerging market need a careful attention. Besides assets and infrastructure resources, some other factors are also important to have success. Factors such as human skills, ability to understand client's perspective, cultural compatibility, communication style, data security, intellectual property rights, etc., play vital roles to attract as well as in overall performance of a company. Companies need to focus upon building their brand, quality, and customer relationships. However, as discussed earlier, literature reveals that there are challenges not only to the service receiver companies but to the service provider companies also. Therefore, an attempt is made in the present study to focus on the issues and challenges of the service provider companies in India and how the issues are dealt with. From primary data, issues were derived as faced by the ITES companies in India. Out of all the issues/challenges, the issues pointed out by majority of the companies are considered for further analyses.

3 Research Methodology

For this study, quantitative as well as qualitative techniques are used to analyse the data. Issues and challenges faced by ITES companies in India are derived using mean and standard deviation. Case study method is chosen for analysing the primary data collection. Case study method is chosen to answers in the form of 'why', when', and 'how'. Apart from that, the researcher has little control over events when the focus is on contemporary issues/phenomenon in real-life context (Yin, 1984). The case study method is well established in information system (IS) research especially when it is used for "sticky, practice-based problems" such as the value delivered by IS services vendors (Benbasat *et al.,* 1987). The study employed qualitative methods to understand the diversity of the ITES vendor management practices following in the current environment. Primary data collection took place during October 2009 to April 2010. It involved collection of data and information from unstructured and semi-structured interviews, archival records, published sources, and follow-up emails and telephone interviews as suggested by Yin (1984).

Senior executives such as directors/managing directors, CEOs, president, and senior executives holding good experience and have a role in decision making as well as in strategy orientation were interviewed using semi-structured interview schedule. However, the names of the persons interviewed are kept secret as many of them have reservations in disclosing their names. The questions were open-ended and asked in a manner of discussion.

4 Results and discussions

4.1 Risks of offshore outsourcing

Earlier research on outsourcing not only emphasized on the advantages of outsourcing but uncovered some broad concerns including infrastructure, cultural differences, accents, language ability, contractual problems, fear of reduced service levels, etc (Tapper, 2004; Walsham, 2001). Several benefits in the process cannot be achieved if the associated risks, not only in financial terms but also in the areas of individual privacy, data security, and loss of IT expertise are not analyzed properly by the client company (Kliem, 2004). Outsourcing projects are generally susceptible to various types of risks including financial, legal, and managerial control issues (Baccarini *et al*., 2004; Shi-Ming *et al*., 2004). The benefits of offshore outsourcing can easily be offset by various risk factors if they are not properly addressed at the outset of any outsourcing venture. The offshore outsourcing can be risky if service level agreements (SLA) are not adequate. SLA's are generally preventive measures or obligating the vendor to perform at a specified level while meeting the firm's lower cost expectations (Sommer, 2003).

Loss of IT talent at the vendor side is another reason that an outsourcing agreement does not always provide a firm with the technical gains as it anticipates. Regardless of the firm's efforts to retain some of the key IT employees, there is a risk that these people may still feel uncomfortable or threatened by the newly signed outsourcing agreement (Antonucci, 1998). There are some issues related to hidden costs that are often buried in an outsourcing arrangement (Barthelemy, 2001). Apart from that, cost of searching a suitable vendor and transferring the workload also consumes a lot of time and money which is generally not included when a client assess the benefits of sending the work out. Transitioning incurs expenses related to setup, redeployment, and relocation. However, the ultimate risk of losing a significant portion of corporate IT talent and future ability to learn can be devastating (Perrons and Platts, 2004). The study of Zhan and Luo (2008) indicated that in outsourcing, cross-cultural conflicts in shared management joint ventures sometimes has a negative impact on knowledge acquisition and ultimately affects the aim of knowledge acquisition.

Examining total outsourcing, Windrum *et al*. (2009) concluded that outsourcing is not good in the long run as the benefits which are available in the short run are not consistent in the long run. This might be because of production activities and economies of scale which are not in-house. Thus, international attention brings insights to help to stay abreast of important changes occurring in their global environment. However, such attention to international issues may come at a cost, as it may result in a commensurate loss of attention to other strategic issues. The relationship between multinational and downside risk is curvilinear. Risk first declines and then increases as a firm's portfolio of international investments becomes extensive. In addition, downside risk is an increasing function of the average cultural distance between a firm's home base and the host countries in which its foreign subsidiaries operate (Tong and Reur, 2007).

4.2 Challenges of offshore outsourcing

There are several challenges listed by the leading research group NeoIT (2008) on the service provider side. These challenges are burden of insufficient capacity, high unit personnel cost, tight business margins, not enough financial strength to sustain, very long payback periods, expensive specialist skills, compliance and legal restrictions, unavailability of skilled manpower due to market stagnation, etc. These require considerable efforts in terms of management's time and attention to establish. Currie *et al*. (2003) also found challenges of vendor companies relating to scale, scope, and integration that need to be overcome. Doney *et al.* (1998) pointed out that trust between service provider and receiver is very much essential in outsourcing as outsourcing is based on trust. There are few challenges from the employees' side also. Cohen *et al.* (2007) discoursed about culture and cultural difference between service provider and service receiver countries.

They described and justified this positioning with particular reference to language barrier, work ethics, and notions of competence. They concluded that there are differences in certain existing patterns of behaviour. Ramesh's (2004) perspective is echoed by McMillan (2006) in her post-colonial theory and described Indian call centre workers as 'the global proletariat', citing in their particular routine work, rather than 'cyber coolies' as described by Ramesh. Work culture is different in India. People are more flexible, easy to accept changes, and learn new things quickly in the country. They love work and even involve their families in their work. They are ready with overtime if needed. India has the largest talent pool in the world which is 1.5 times of that in China and twice of that in the United States (Farrell, 2005).

Quality of graduates coming out of the top institutions like Indian Institutes of Technology (IITs), Indian Institutes of Management (IIMs) and some other institutions is very high. However, as we look beyond them, the quality declines sharply (Mckinsey Global Institute, 2005). According to Tilak (2005), on an average, only 25 per cent of the engineers, 23 per cent of the management graduates (MBA), 15 per cent of finance, accounting, life science researchers and analysts are employable, while only 10 per cent of the generalists and 5 per cent of the support staff are suitable for hiring (Farrell, 2005; MeritTrac, 2010). Though there is a reasonable quality of talent pool available in India, the conversion rates from unemployable to employable as experienced by some companies in Tier-II cities (such as Jaipur, Chandigarh, and Pune based on the recommendation of the fifth pay commission's compensatory city allowance (CCA) and house rent allowance (HRA) which were revised further in 2001 Census of India) is not encouraging.

This is attributed to specific shortcomings like communications and interpersonal skills (The Financial Express, 2006). Menon (2008) mentioned that the need of the hour is a solution that maps the expectations of the industry, segregates the talent pool into 'employable and trainable' categories, creates a platform for the industry to access pre-certified employable talent seamlessly and also provides the trainable pool a tangible, detailed feedback on skills gap to facilitate training and enhance employability. Analysing the primary data collected from 30 companies, 10 companies each from national capital region (NCR), Kolkata, and Bangaluru, it is found that the outsourcing companies in India are facing a host of challenges as mentioned in Table 1. Sample here includes small, medium, and large sized companies based on the number of employee. The challenges are selected for further discussion as shown in Table 1.

Table 1: Major challenges faced by ITES companies in India

Challenge	Intensity (in percentage)
Unavailability of employable employees (HR initiatives)	95
Attrition	90
Retention of employees	88
Global economic recession (global slowdown)	82
Service delivery	80

4.2.1 HR initiatives

There are various innovative measures taken by the ITES companies in India to survive in the global competitive environment. There are many companies who have to lead the business with difficult decisions on pay and rewards. In the present study it is found that several innovative and unique measures are taken by the companies to attract as well as retain their valuable employees. Some of them are entrepreneurship culture, career opportunities to the employees, continuous training and other measures to motivate employees, inclusion of diverse culture, rewards to the employees, a workforce with diverse capacity and capability, innovative and unique policies, service level agreement, benefits and rewards to increase the satisfaction level of the employees, etc. Companies try to reward its employees as per their performance from time to time. Companies are giving utmost importance to training of their employees. In addition, companies also try to arrange comprehensive career management programs for the benefit of their employees.

In several cases it is found that companies open their centres in different locations where the cost of operation is lower. However, in such cases, to get the quality work, they try hard to train their local employees to make them competitive. Primary investigation shows that companies try to monitor and find out the reason behind attrition. Innovative methods are deployed to enhance the employee satisfaction. Transparent performance management programs are arranged to boost the employee morale. Companies are working on cost cutting strategies to come over the problem of economic recession and giving pink slips to the employees. It is found that 78 per cent of the total 95 per cent companies (claiming for unavailability of employable employees) from the sampled 30 companies are working on cost cutting strategies. Companies are recruiting multi skilled employees and trying to give more value added services to their clients to remain competitive in the market. It is also found that, out of 95 per cent of the sampled 30 companies, 70 per cent companies are arranging training for their employees to keep them fit for continuous changing needs of the employers and spending more on latest available technology in the market to make them competent.

4.2.2 Attrition

The ITES industry in India is currently undergoing a growth of 25-30 per cent per annum. Average salary of the employees is also increasing which would see a further spurt in the coming five years. This becomes clear from Figure 1 that shows the increase in salary in different Asia pacific countries including India during 2009-10. The projected salary increase was 3.4 per cent in 2009 which is 5 per cent in 2010. India produces about a million graduates annually and BPO companies take up about 6-7 per cent of the whole. As against a projected growth rate of 35 per cent, the industry saw a decline in growth by 25 per cent. A high attrition rate of 30-35 per cent coupled with an unprecedented 100 per cent hike in metro property prices has declined the growth of BPO firms (Singh, 2007).

According to a study by NASSCOM, 80 per cent of the leading BPO companies that participated in the study said that attrition rates in future will rise over 40 per cent, whereas the remaining 20 per cent firms are optimistic and said that it will drop down and stabilize between 20-25 per cent (NASSCOM, 2010b). The attrition rate in BPO firms is at the highest because of better opportunities elsewhere that encourages the technical pool of human resource to seek greener postures.

Figure 1: Projected Salary Increase in 2010
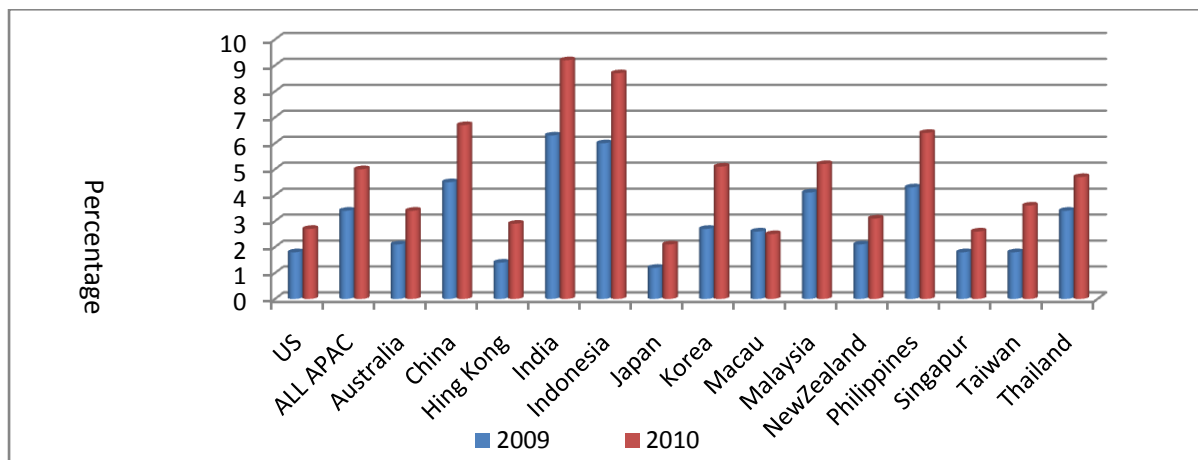
Source: Hewitt (2010)

4.2.2.1 Reasons for high attrition
The two most cited reasons for attrition in our investigation are
  ➢ Higher salaries offered elsewhere make 60 per cent people leave BPO units.
  ➢ Stagnation in career graph, long duty hours, night shifts, and non-conducive HR policies make 40 per cent people leave.

The high attrition rates will result an increase in expenditure on training and development, loss of clientele, failure to attract more business based on high output, inconsistent delivery and quality issues/loss of productivity, high turn-around-time and costly recruitment process, which together expected to create a dearth of 300,000 professionals by 2009 (Evalueserve, 2007).

4.2.2.2 Preventive measures of attrition
Reducing the rate of attrition is one of the difficult tasks for most of the ITES companies. Companies should select the right people through competency screening. They should use psychometric tests to examine people who can work at night and handle monotony of work. These employees can be offered an attractive and competitive package. Apart from that they should be made clear of performance enhanced incentives and other benefits, and fulfil these promises later. In addition, ITES companies can open offices in smaller towns and recruit local talent where opportunities are few. HR management practices must relate company policy to its employees. The HR strategy should evolve from a transactional support role to partnering in the organisations business strategy. HR must take steps to be aware of employee problems and try to solve them creatively. They can implement competency models, which are well integrated with HR processes such as selection and recruitments, training, performance appraisal and potential appraisal. Regarding in-house management, work assignments must be communicated to employees clearly and thoroughly. The details of a job, its importance, the way it should be done, maximum time that can be allotted to complete it, etc., must be made clear. If there are changes to any of these, let the employee know at the earliest. The employee must have the tools, time, and training necessary to do their job well.

4.2.3 Employee retention strategies
Intelligent employers always realise the importance of retaining the best talent. It is a fact that retention of key employees is critical for the long-term health and success of any organisation. The performance of employees is often linked directly to quality of work delivered, customer satisfaction, increasing product sales, and even to the image of a company. The same is often indirectly linked to the satisfied colleagues, reporting staff, effective succession planning, and deeply embedded organisational knowledge and learning. Employee retention is an important issue of any organisation. It saves time which one company has to spend on searching, recruiting, etc. Hence, failing to retain a key employee is a costly proposition for any organisation. Actually, losing a middle manager in most organisations translates to a loss of up to five times of his salary. This might be worse for BPO companies where fresh talent is intensively trained and inducted, and further groomed to the successive stages. In this scenario, the loss of a middle manager can often prove dear.

However, this is not the case for all type of employees. People who work hard are motivated and ready to put more efforts. On the other hand low productive employees are de-motivated and even plan for shifting of job that ultimately does not affect much to the health of the company. So the study gives the lesson that ranking may be useful as high productive employees should be retained on better incentives. Our primary surveys identify night shifts, inability to handle various types of stress, monotonous work, company policies, lack of career growth, problems with those in senior positions, etc., as some of the common reasons listed by BPO employees for quitting jobs. Some of the preventive measures as given by the senior executives are discussed below. Quality of supervision is critical for employee retention. Employer should recognize their employees' strengths and help them to improve on those they lack. Employees must feel rewarded, recognised, and appreciated. These employees should be offered excellent career growth prospects. They may be encouraged and groomed to take up higher positions/openings. If they do not get opportunity for growth within the organisation, they will look elsewhere for it. Work and work place can be made cheerful and fun-filled as much as possible. It is important for an organisation to make sure that employees know their work.

Innovative and practical employee policies include flexible working hours and schemes, granting compassionate and urgency leave, providing healthcare to employees and dependant members, etc. Work-life balance policies may have a positive impact on retaining as well as on attracting skilled employees. About 80 per cent of out of 90 per cent of the sampled companies (agreeing on attrition related issues) are taking innovative measures seriously, and implementing and trying to reduce the attrition as much as possible. However, the methods or set of strategies are different among the companies as per the need and type of the company.Employees should be treated well and be provided dignity at job. Feeling valued by their employer is a key to high employee motivation and morale. Giving periodical raise in salary or position helps to retain staff. Special concessions can be given at a time of need. As much as possible, employees should be provided a stress free work environment. Helping employees to manage stress both at work (on site) and if possible, off work (off site) is very important. HR manager can employ a person to talk to each employee at regular intervals. That person should try to listen and solve employee's complaints and problems as much as possible. Fairness and impartial treatment by seniors are important. As happiness can be contagious, human resource department should make sure that the work place is a happy one, which encourage employee to spend time. Effective human resource management must be practiced at both strategic and day-to-day levels.

The odd working hours of BPO employees often creates different health problems. Companies can arrange or appoint doctors to advise them about health problems and the ways and means to deal with them. Out of 27 sampled companies (who take measures to reduce attrition) 40 per cent have already taken this step and arrange counselling sessions for their employees regularly. They provide dietary advices that help the employees to maintain health. Programmes are organised where people from other professions share their night shifts experiences with the BPO employees. People from other organisations such as army, railways, healthcare (hospitals), and other services selected for such discussions. Trainings and counselling programmes are also organised for the employees. Encouraging the best performers to share their experiences with others and to guide others are included. The emphasis is to create the aspiration to learn, enjoy, and be passionate about the work they do. If necessary, they are provided special lights in the office/workplace to ensure that their bodies get sufficient vitamin D. One distinct disadvantage of the night shifts employees is the sense of disorientation with friends and family members. Considering this, a company can concentrate on such problem and can develop innovative solutions and ways to deal with. Additional holidays for work on national holidays and festivals, holidays for family functions, etc., can go a long way.

4.2.4 Impact of global slowdown

According to Evalueserve (2007) 'the affect of global slowdown is massive'. Effect of slowdown is visible in many areas. Some of the areas are banking, financial services, and insurance (BFSI). Sectors such as aviation, automobile, manufacturing, consumer goods, etc., are also affected. Property rate are increased manifold as rentals in Delhi have increased by 20-30 per cent pushing up establishment costs and operating cost of BPOs. About 82 per cent of the sampled BPO companies feel that property prices have grown by nearly 100 per cent in the last decade, affecting their bottom lines. Apart from that the global downturn hit many companies hard and fast causing panic amongst all affected. Many companies took drastic actions quickly. The best leaders spent quality time with management teams working on business planning and aligning actions. These leaders involve key stakeholders and open to cost-cutting ideas and ultimately looked at the business from the bottom-up. In contrast, some leaders operate from a distance, being driven by shareholders' demands or other external influences to cut costs. These organizations typically cut costs across the board without recourse to the relative performance of business units or high performers. This type of action is short sighted and typically perceived bad by employees. Therefore, responsibilities delegate but leaders need to understand the dynamics of the business.

The global economic turbulence refocuses the objectives of many companies and emphasises the importance to reduce cost and increase efficiency. A company's view to the effect of global economic slowdown is that such slow down is short-lived. However, different companies perceived the recession process differently, as another says that there is global slow down in the market but it is not as massive as hyped by the media and other sources. Actually, the strategy of a company to work on right time is very important. In every industry, it is very important to enter on appropriate time and work fast to gauge the opportunities. It depends on the overall strategy of a company. According to an official of Evalueserve (India), Evalueserve 'entered at the right time and became big. But now the situation is different. There is a lot of competition in the market for both the low end and high end services. However, such competition is more towards the low end services. Firms in high end services are lesser in number and are able to survive because of non-availability of right talent'. In contrast, if a company has resources, it can create its own workforce and thus their work becomes easier. Although there are a lot of opportunities in the market and everyone is having a space, it is easier for the big companies to survive because of their brand image, ability to absorb shocks, innovative measures, etc.

For example, IBM has established its global centres according to the market demand and to provide services in the nearby countries by recruiting same culture employees to make their clients more comfortable. In the uncertain global scenario, a wait and watch policy can be adopted as there is tremendous potential to grow in the medium and long run. The strategy must have clear purpose and use. It must address the questions of the key stakeholders. It must align with the rest of the business and should succinctly address the main needs of the business, its aspirations, and should recognise the role and possibilities of IT. Thus, IT strategy must address the key questions of business strategy, information strategy, and how to manage IT and how to maximise return from technology access. The plan must be fiscally responsible. It must strike a financial balance between the needs to balance IT spend with the business needs for growth and productivity improvement. The strategy can be used to facilitate effective communication as falls short in the area. If one is working in France, for example, social considerations should be among the top-three issues for business executives to be considered. If not considered seriously, employees will put them back very quickly.

A large number of Indian companies are looking for expanding their operations by setting up delivery centres across the globe. Indian players are targeting regions such as China, Latin America, and Eastern Europe to set up new offshore locations. Some of the prominent reasons for this trend are clients' increasing demand for localised services. Thus, Indian vendors are exploring offshore locations where they can leverage the local talent and language capabilities. They are operating in different geographies with varying time zones which helps in offering 24*7 services and acts as a substantial differentiator for any ITES player. Moreover, the pressure to maintain profit margins is fuelled by an increased level of competition. ITES players are now turning to Tier-II cities in India to mitigate these challenges. This trend is expected to gain momentum in the near future. There are three basic strategies as discussed by the senior executives. These are summed up below.

(i) Focus on value

Companies should address on how-to-do things rather than what and why. A lot of IT strategies fall into extensive cross-cultural arguments about what, and why, and rarely address the how. Progress can be measured and reasons can be identified if progress lacks somewhere. The strategy must be usable over time rather than being merely useful at a particular point of time.

(ii) Strategy related to outsourcing

Successful outsourcing focuses on developing a long-term relationship with clients. Companies should understand the culture of the offshore locations. Companies should employ people from the country of operation (doing business) to help in negotiations. Initially, the less business-critical activities can be focused before going for the critical activities. A risk mitigation strategy should be developed and finally, selection of outsourcing partner should be done carefully which can be advantageous in the long run as it may be costly to change the partner later.

(iii) Global data synchronisation

Data synchronization is a natural process often followed by companies. Data synchronization is the process of establishing consistency in data from a host of sources to create data storage and continuous harmonization over time. It is found that most of the sampled companies started this strategy well in advance. However, it is desirable to verify the quality of data i.e., whether it is good, clean, and consistently interpreted within the organization before going too far in implementing the global data synchronisation. Otherwise, it may upset the partners fast and there may be wastage of money as advises James White, an analyst at Gartner.

4.2.5 Challenges related to services delivery

Sturm *et al*. (2000) proclaimed that the key for successful outsourcing relationships is based on a formal written contractual agreement between the service recipient (SR) and the service provider (SP) that specifies the various facets of services to be provided at certain level to meet business objectives.

In many cases, organizations lack not only well-developed SLAs that can be used to effectively gauge and manage relationships and activities associated with outsourcing (Fitzgerald and Willcocks 1994; Karten 2004), but also the various modes of service delivery as per the requirement of the clients. These are communication mechanisms, joint decision-making mechanisms, conflict management as well as those pertaining to the evolution of contracts based on past results and the client's changing business needs. Such agreements and many intangible benefits can be derived from them in terms of achieving effective SP–SR relationships (Kern *et al.,* 2002). Therefore, there is a need for SLAs that include processes for dealing with changing business needs in addition to target service levels.

There are various service delivery models and strategies discussed by the senior executives of the companies interviewed. It is found that the sampled companies are adopting various techniques to improve service delivery. Companies design, deliver, and manage solutions across the customers' interaction spaces that are tailored to meet the unique needs of any industry. Companies leverage proven methodologies and expertises to help markets with new services. It builds customer loyalty, boosts revenues, increases profitability, and minimizes operational costs. These companies are trying different and unique models. For example, companies' strategies include manpower management, flexibility in delivery of services, innovative measures in providing services to satisfy their customer, hybrid delivery models, process optimization, unique identity, continuous and regular customer interaction, use of proven methodologies and expertise, etc. These strategies help markets with new services, IT security policies, better qualified team of employees to make a difference from others, knowledge based infrastructure, flexibility in engagement, etc.

Various hybrid delivery models are developed and deployed as per the need and comfort of the clients. Service provider companies are opening up centres in places of work delivery to tackle the cultural issues. Employment is given to the local employees in the offshore centres by the vendors to tackle the backlash issues. Service provider companies are trying to create more flexible and comfortable atmosphere to their employees so that they feel relaxed. Companies are making strategies to add more value to the client company through measures that succinctly address the main needs of the business, its aspirations, and recognise the role and possibilities of IT. Clients are increasingly demanding localised services. Thus, Indian vendors are exploring offshore locations where they can leverage the local talent and language capabilities. Honesty and integrity is given the supreme place by most of the companies interviewed.

5. Conclusion

From the discussion, we can conclude that there are many challenges such as unavailability of skilled employees, attrition, retention of suitable employees, global economic slowdown, etc., facing by the service provider ITES companies in India. They are trying hard to resolve these challenges through various innovative measures. Clients are always kept on the top. Vendors are providing training and various HR initiatives are taken to keep their employees fit for work as well as to keep them satisfied to retain them longer. Companies are taking care of their employees in the context of their health related issues. Although India is having a lot of educated people, there is still a dearth of suitable employees for ITES companies. Retaining the skilled as well as experienced employees is also a big challenge for these companies. Various perks and facilities are being provided to their employees to make them satisfied. In the near future, a lot of high-end works is going to be in demand as per the analysis of different research firms such as Evalueserve, NASSCOM, NeoIT, IDC, and Forrester Research. This needs proper education as well as industrially oriented practical training to the fresher. Continuous improvement in service delivery and attempts to satisfy the needs of the clients may be advantageous in the future as this will give a scope to the vendors to survive in the long run even in competitive environment.

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