Human Resource Implications of Outsourcing in India: Transformation of Culture, Customs, and Lifestyles

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Abstract

The purpose of our research was to study the characteristics of the impact business process outsourcing had on Indian culture, customs, and lifestyles. We conducted approximately sixty in-depth interviews at four companies that engage in business process outsourcing through information technology-enabled services. Outsourcing has had significant cultural impacts on the Indian society such as language, identity, gender and the emergence of the western lifestyle. As the Indian BPO industry mainly serves western countries, employees are provided with opportunities and training in understanding the culture, accent, and customs of the client countries. In this way, call centers have been crucial in providing millions of Indian youth working in call centers more exposure to the western culture. This gives them a different perspective about western way of life (Pradhan and Abraham, 2005). Although the Indian BPO industry has grown to a 30 billion dollar industry today, there is significant employee attrition among Indian BPO firms (Sengupta and Gupta, 2012). The major issues that have been under researched in the area of the BPO industry in India are related to human resource implications, socio economic impact on the country and the types of companies engaged in BPO work.

Background Information on Business Process Outsourcing in India

Business Process Outsourcing has been the strategic choice of companies looking at visible profits of cost reduction while improving the quality of service (Shah and Sharma 2007). Offering tremendous opportunities to western businesses, the India BPO sector has been emerging rapidly as the place of choice because of the availability of a skilled workforce, English speaking labor force and technically qualified employees. However there is a flipside to BPOs, there are both challenges, internal and external. The internal challenges include the shortage of competent middle and senior level managers and the high attrition rates in the BPO industry in India. The external challenges include opposition from U.S. politicians and labor unions against the shift of BPO operations to companies in India as well as competition from other countries like Philippines that are taking away business from India by providing lower cost services.

Procedure

58 unique interviews were conducted on-site in Bangalore, India. Interviews took place at three different firms engaged either primarily or entirely in Business Process Outsourcing. All company names and employee identities have been kept confidential. Interviewees are only identified by key demographic factors. Interviewee samples range from general employees to senior management. All interviews were conducted according to Institutional Review Board standards.

Themes

Through qualitative analysis of primary data collected by personal interviews, several themes have emerged. These themes are highlighted and presented below.

T1: Employees of outsourcing companies have noticed changes in their personal development and lifestyle through interaction with US-based clients.

"The way I speak and the way I behave has changed. I have to deal with U.S. customers; you cannot speak to them as you do to the people here. It has affected my language, the way I talk and the way I think and most of the time it is related to retail products all the time." – Female, early 20's, single

"BPO has changed the overall Indian economy as a whole. Not only the Indian economy as well as the individuals status as well. There is a vast difference between the Indian companies and the BPO industries, there is no comparison. The way people think has changed, the way the people think, they are more broad minded and interact. We don't feel like the clients are new people, we are comfortable with them." – Male, early 30's, married

"After graduation most of the people will go for the government jobs but it is difficult to get into those jobs. Here it is like you know there's no fear of finding a job. We know that when we graduate that some company will hire us. Working for a BPO company has changed my life, having opportunities for facing the outside world. It also help us with job security." – Female, mid 20's, married

"India culture is more closed, you don't question elders or teachers, but that is now changing. In the US you are allowed to question. It is a big change. It takes a while to be able to get to that level. You get a better global outlook. You learn what is happening around the world, not just your immediate surroundings. Most impacts are positive, but some are negative. One negative is how it has affected people's family lives. In our culture you stay with your parents forever in the family home. There is a ton of social support in this country. That is going away in this industry." – Male, 36, married

T2: Purchasing power and spending behavior of BPO employees has increased

"In my opinion, American culture has impacted Indian society in a lot of ways. Indian people were savers, now they spend a lot of money to support the economy. Because of outsourcing for a normal Indian, the amount they can spend has increased. For example, now young people can afford a car, when ten years ago owning a car was a big thing. Thus, there is a drastic impact of American culture in India." – Male, 35, married

Themes (Continued)

"I was a bachelor when I started here. Now I am married, I got my car, I got my home, I got a kid. Everything has changed." – Male, mid 30's, married

"Definitely Indian society has changed, people have earning power and once they graduate from college they have a job which was not the case ten years back. Now it has changed, there is a lot of scope, people are earning well and it is leading to more spending and things are changing." – Male, late 20's, single

T3: Working hours have placed constraints on work/life balance and normal personal routines. Routines have changed to cater to working hours.

"I dislike the timing. I don't get to see my wife except on weekends. She works normal hours and I work in the afternoon and night. I don't get home until 11pm. My son and wife are already in bed. I am sort of a weekend family member." – Male, late 30's, married

"I initially disliked the late working hours. In this industry, you typically work late into the night. My team works through the night. I don't think it is something that can be changed because it is the nature of the industry. I would say there aren't any dislikes now. Now we just work our lives around the hours and it isn't a big deal. I work around 12-9 every day." – Male, late 20's, married

"I actually get more time with my daughter now that I am working night shift. There aren't complications happening with my husband or my kid. I am happy when I come to the office because I have just spent the day with my daughter." – Female, 25, married

"Like if you see my husband, his timing is entirely different, he works for [XYZ Co.] evening shift from 7 in the morning to 4 pm and my shift is 11 to 8. It is just at night that we meet for one or two hours and mostly we get to spend time together on Saturdays and Sundays. That is one thing about the work life that is challenging if you are married and your spouse is in the BPO industry as well." – Female, early 30's, married

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Work Life Balance and Implications for Business Process Outsourcing in India

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Background Information on Business Process Outsourcing in India

Business Process Outsourcing has been the strategic choice of companies looking at visible profits of cost reduction while improving the quality of service (Shah and Sharma 2007). Offering tremendous opportunities to western businesses, the India BPO sector has been emerging rapidly as the place of choice because of the availability of a skilled workforce, English speaking labor force and technically qualified employees. However there is a flipside to BPOs, there are both challenges, internal and external. The internal challenges include the shortage of competent middle and senior level managers and the high attrition rates in the BPO industry in India. The external challenges include opposition from U.S. politicians and labor unions against the shift of BPO operations to companies in India as well as competition from other countries like Philippines that are taking away business from India by providing lower cost services. This research focuses on the internal challenges, specifically attrition rates. Attrition rate in the BPO sector has reached an all-time high of 60% (BPO India 2009). Much of the research has been focused on discovering the factors behind this attrition, but a framework or model has not been developed to explain this attrition. This study examines the issues related to attrition or turnover in the Indian BPO industry and is grounded in existing theories of work-family balance and turnover intentions of employees. By modeling the relationships between work-life balance and the impact on turnover intentions of employees in Indian BPOs, we provide managerial implications for Indian BPOs to use these results in engaging in meaningful retention strategies to reduce turnover rates.

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Theory and Hypothesis

The majority of work-family studies have been conducted in Western societies with limited investigations in other regions of the world (e.g. Aryee & Luk, 1996). However, cultures do not segregate the roles of work and family in the same way (Trompenaars & Hampton-Turner, 1998). For example, cultures with specific values, like the United States, tend to keep work and family roles and relationships separate. However, cultures with diffuse values (e.g., India) tend to integrate the two domains. Even though employees in the United States tend to experience more conflict between the two roles, we believe that employees in India are more likely to see work as contributing to the family welfare rather than competing with it. As such, we focus on work-family facilitation rather than conflict. Specifically, work-family facilitation occurs when engagement in the work role contributes to growth in the family role" (Grzywacz et al., 2007).

The foundation upon which we develop our hypotheses is Boundary theory. This theory suggests that the balance of family and work boundaries must be understood in order capture the complexity of work-family balance (Ashforth, Kreiner, & Fugate, 2000). Scholars that study Boundary theory suggest that boundary flexibility between the work and family role is conceptualized into two components; the ability to expand domain boundaries (e.g., flexibility-ability) and the willingness to expand domain boundaries (e.g., flexibility-willingness; Ashforth, et al., 2000). Several studies have suggested that flexibility-willingness and flexibility-ability lead to lower levels of conflict between the work and school role (Matthews & Barnes-Farrell, 2010), however, no study to our knowledge has suggested that this flexibility at work can lead to lower turnover intentions. For example, an employee with a high level of flexibility-ability may believe that her supervisor is willing to allow flexibility in her schedule in order to take care of family responsibilities (Lautsch et al., 2009). If this employee perceives that they are able to meet family demands when emergencies or situations arise, the employee may be less likely to think about leaving the organization. As such, we propose,
H1: Higher levels of work to family flexibility ability will be associated with lower levels of turnover intentions.

Further, an employee with a high level of flexibility-willingness may be more prone to leave their work domain in order to take care of family responsibilities (Matthews & Barnes-Farrell, 2010). Although this willingness tends to lead to more positive outcomes in Western cultures (Matthews & Barnes-Farrell, 2010), we believe that it may have an adverse impact in India. For example, India tends to have higher levels of power distance, which is the acceptance of distance between those in authoritative roles and their subordinates (Hofstede). As such, employees are more likely to follow the rules of their employer and supervisor and less likely to violate rules or ask for exceptions. Thus, employees who are willing to leave work in order to care for their family, may already intend to leave the organization. As such, we propose,
H2: Higher levels of work-family flexibility-willingness will be associated with higher levels of turnover intentions.

A tenet of Boundary theory suggests that the ways in which people balance their work and family boundaries have costs and benefits (e.g., Ashforth et al., 2000). One possible "benefit" of balancing work and family could occur when one role provides resources that benefit the other role. For example, employees that work at call centers may gain interpersonal skills or communication skills that may facilitate or benefit the work role. As such, we propose,
H3: Higher levels of work to work-family facilitation will be associated with higher levels of turnover intentions.

Results

Multiple regression analysis was used to test the model and the results are presented in the Table below.

Analysis of Variance						
Model	df	SS	MS	F-Value	p-Value	R² (Adj)
Regression		318.212	6.071 8.087	0.000	.120(.105)	
Residual	178	133.618	.751			
Total	181	151.831				

Parameter Estimates				
Variable	Beta Coefficient	Standard Error	t-Value	p-Value
Intercept		.435	7.397	.000
Work-Family Flexibility Ability	-.178	.105	-2.108	.036
Work-Family Flexibility Willingness	.308	.101	3.661	.001
Work-Family Facilitation	-.231	.095	-3.283	.000

The regression examined the effect of three variables, Work-Family Flexibility Ability, Work-Family Flexibility Willingness and Work Family Facilitation on Turnover Intentions of employees in Indian outsourced industries. Overall, the three independent variables significantly explained the variance in the dependent variable with an F-value of 8.087 significant at p<.0001. Work-Family Flexibility Willingness (see items used to measure this) was the most influential variable in the equation with a Beta Coefficient of .308 (t=3.661, p<.0001), indicating that Work-Family Flexibility Willingness has a significant positive impact on Turnover Intentions of employees. Work-Family Facilitation was the second most significant (negative) predictor of Turnover Intentions (Beta=1231, t=-3.283, p<.0001). Work-Family Family Flexibility had a weaker negative, yet significant impact on Turnover Intentions, with a Beta Coefficient of -.178, a t-value of -2.108 and a significance level of p<.05.

Implications and Contributions

Together, these findings suggest that employers of Indian outsourced industries who want to reduce employee turnover intentions can focus on providing flexibility in the work role when family demands arise. For example, supervisors that are looking for ways to increase flexibility could allow subordinates to leave work early if their child, parent or other family member is sick. Interestingly, our results suggest employees who are more willing to leave work when family demands arise, are also more likely to intend to leave their organization. Our findings also suggest that work-family facilitation is associated with lower levels of turnover intentions. This finding suggests that employers may be able to reduce turnover when they can provide employees with skills or knowledge that can be transferred to the family role.

Our study also has theoretical implications. We contribute to the work-family literature by extending Boundary theory to study work-family facilitation in the context of India. To our knowledge, this is the first application of Boundary theory to call centers located in India. Additionally, we believe this is the first study that draws from Boundary theory to study work-family facilitation.