

Talent management in bpo in india assignment



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Talent management - sandeep v- IMT NAGPUR. [www. Coolavenues.com/know/hr/sandeep. php3](http://www.Coolavenues.com/know/hr/sandeep.php3) Infosys, Wipro, Satyam, HCL Technologies and i-Flex Solutions. These are some of the companies, which have the highest revenue growth rates year after year. Few of them also have revenues exceeding \$1 bn. They provide great work environment to their people. Good salary, perks, overseas assignments, challenging and highly competitive work environment and a great future - these are some of the pluses associated with these companies. Then, can these companies be considered as the picture perfect companies with no problems whatsoever?

Think again!!! These are the attrition rates of the employees of the above mentioned companies. Some of these actually match their revenue growth rates!!! This is giving a severe headache to the top management in general and HR department in particular. So, this has added to the functions of the HR department a new function - Talent Management. Introduction Talent management implies recognizing a person's inherent skills, traits, personality and offering him a matching job. Every person has a unique talent that suits a particular job profile and any other position will cause discomfort.

It is the job of the Management, particularly the HR Department, to place candidates with prudence and caution. A wrong fit will result in further hiring, re-training and other wasteful activities. Talent Management is beneficial to both the organization and the employees. The organization benefits from: Increased productivity and capability; a better linkage between individuals' efforts and business goals; commitment of valued employees; reduced

turnover; increased bench strength and a better fit between people's jobs and skills.

Employees benefit from: Higher motivation and commitment; career development; increased knowledge about and contribution to company goals; sustained motivation and job satisfaction. In these days of highly competitive world, where change is the only constant factor, it is important for an organization to develop the most important resource of all - the Human Resource. In this globalized world, it is only the Human Resource that can provide an organization the competitive edge because under the new trade agreements, technology can be easily transferred from one country to another and there is no dearth for sources of cheap finance.

But it is the talented workforce that is very hard to find. The biggest problem is how to retain the present workforce and stop them from quitting?

Importance First, let us look at some of the reasons for the importance of talent management. The Challenge The challenge of talent management has two facets to it. First is how to find new people and second is how to retain the present workforce. Each of the challenges has to be tackled in the most efficient way possible so that the organization can achieve its objectives. The First Challenge - Where to find new talent?

All the organizations are finding loads of business opportunities and consequently, their revenues are growing at a rapid pace. The increasing business opportunities has necessitated that these organizations go in for massive recruitment. But, the question is where to find the best talent which is able to fit the job description and also adjust to the organization's values

and norms. If we scan the environment, we find there is a shortage of skilled workforce that can be employed. Some of the possible reasons that have led to the shortage are: The Second Challenge - How to retain the existing employees?

Gone are the days when a person would join an organization in his mid-20s and would work till his retirement in the late-50s. Today the young professionals hop jobs, especially during the first 4-5 years of their work life. Though the Indian service industry is basking in the light of outsourced jobs from the developed countries, they also cannot ignore the fact that the BPO industry is also facing one of the highest attrition rates, infact never heard before in India, of around 35%. It is a fact that its the people that add value to organizations.

It is also a fact that humans are a restless species who, unlike the immovable Banyan Tree, cannot stay rooted in one place. People need to move on for one reason or another, and the organization stands to lose. Let us look at some of the reasons behind the massive attrition rates: - Gap between organizational values and goals and the personal values and goals is one of the major reasons of the attrition rates. If they go parallel, there is no way both would be satisfied and inevitably, the organization would lose out on a talented employee.

Working environment is another major factor. Employees in the knowledge era demand creative and a democratic work environment. Failure on the part of the management to provide such an environment will result in a talented employee leaving the organization. The competitive world has made sure

that there is high work pressure on the employees of any organization. This has led to psychological problems like stress, and in extreme situations, total burnouts. It also leads to other health related problems.

Movement for higher salary is also common among the younger professionals. There is no shortage for organizations who are looking for talented employees and who are ready to shell out a hefty salary for a talented person. Other lures like better job opportunities, higher posts and overseas assignments are also major factors in the attrition rates. Not taking proper care during the recruitment and selection process and not taking proper care to fit the right person to the right job also breeds dissatisfaction among the employees.

Bad or opaque policies from management on issues of succession planning and promotion, appointments for senior positions also is a major factor which makes the organization lose out on the talented employees. The professionals have different aspirations at different times of their career. During the initial years, they have good salary and foreign assignments. Next on the list is working on cutting edge technology. More seasoned professionals look for learning opportunities. So employees tend to move to those organizations which provide them with means to fulfill their aspirations. or the new employee to adjust to the new work environment. During this time the productivity of the employee will be low. The HR department will have to fit the new employee into a proper role in the organization. Apart from causing the company a monetary loss and breaks in their day-to-day operations, attrition contributes to knowledge transfer, which is a great loss and adversely affects business. The Question is - How

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to Manage the TALENT? It is now proved beyond doubt that, in the era of technology and knowledge, talent is in the driving seat. One who possesses it dictates.

Not he who pays for it. It is the demand of the time that business leaders elevate management of talent to a burning corporate priority. It is not a walk in the park for the talent market. Quality people are no longer available in plenty, easily replaceable and relatively inexpensive. These are some of the measures that should be taken into account to hire and retain talent in the organization, to be efficient and competitive in this highly competitive world:

- Conclusion HR department to nurture a brigade of talented workforce, which can win them the war in the business field.

The talent has to be spotted, carefully nurtured and most importantly preserved. Right person for the right job - is the new mantra. Business process outsourcing (BPO) is a broad term referring to outsourcing in all fields. A BPO differentiates itself by either putting in new technology or applying existing technology in a new way to improve a process. Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria.

Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry. Few of the motivation factors as to why BPO is gaining ground are: Factor Cost Advantage Economy of Scale Business Risk Mitigation Superior Competency

Utilization Improvement Generally outsourcing can be defined as - An organization entering into a contract with another organization to operate and manage one or more of its business processes. Different Types of Services Being Offered By BPOs

Customer Support Services Our customer service offerings create a virtual customer service center to manage customer concerns and queries through multiple channels including voice, e-mail and chat on a 24/7 and 365 days basis. Service Example: Customers calling to check on their order status, customers calling to check for information on products and services, customers calling to verify their account status, customers calling to check their reservation status etc. **Technical Support Services**

Our technical support offerings include round-the-clock technical support and problem resolution for OEM customers and computer hardware, software, peripherals and Internet infrastructure manufacturing companies. These include installation and product support, up & running support, troubleshooting and Usage support. Service Example: Customers calling to resolve a problem with their home PC, customers calling to understand how to dial up to their ISP, customers calling with a problem with their software or hardware. **Telemarketing Services**

Our telesales and telemarketing outsourcing services target interaction with potential customers for prospecting like either for generating interest in products and services, or to up-sell / promote and cross sell to an existing customer base or to complete the sales process online. Service Example: Outbound calling to sell wireless services for a telecom provider, outbound

calling to retail households to sell leisure holidays, outbound calling to existing customers to sell a new rate card for a mobile service provider or outbound calling to sell credit or debit cards etc.

Employee IT Help-desk Services Our employee IT help-desk services provide technical problem resolution and support for corporate employees. Service Example: of this service include level 1 and 2 multi-channel support across a wide range of shrink wrapped and LOB applications, system problem resolutions related to desktop, notebooks, OS, connectivity etc. , office productivity tools support including browsers and mail, new service requests, IT operational issues, product usage queries, routing specific requests to designated contacts and remote diagnostics etc.

Insurance Processing

Our insurance processing services provide specialized solutions to the insurance sector and support critical business processes applicable to the industry right from new business acquisition to policy maintenance to claims processing. Service Example: New Business / Promotion: Inbound/outbound sales, Initial Setup, Case Management, Underwriting, Risk assessment, Policy issuance etc. Policy Maintenance / Management: Record Changes like Name, Beneficiary, Nominee, Address; Collateral verification, Surrender Audits Accounts Receivable, Accounting, Claim Overpayment, Customer care service via voice/email etc.

Data Entry Services / Data Processing Services Service Example: Data entry from Paper/Books with highest accuracy and fast turn around time (TAT) Data entry from Image file in any format Business Transaction Data entry like sales / purchase / payroll. Data entry of E-Books / Electronic Books Data

Entry : Yellow Pages / White Pages Keying Data Entry and compilation from Web site Data Capture / Collection Business Card Data Entry into any Format Data Entry from hardcopy/Printed Material into text or required format Data Entry into Software Program and application Receipt and Bill Data Entry Catalog Data Entry.

Data Entry for Mailing List/Mailing Label. Manuscripting typing in to word Taped Transcription in to word. Copy, Paste, Editing, Sorting, Indexing Data into required format etc. Data Conversion Services Service Example: Conversion of data across various databases on different platforms Data Conversion via Input / Output for various media. Data Conversion for databases, word processors, spreadsheets, and many other standard and custom-made software packages as per requirement. Conversion from Page maker to PDF format. Conversion from Ms-Word to HTML format Conversion from Text to Word Perfect. Conversion from Text to Word to HTML and Acrobat

Convert Raw Data into required MS Office formats. Text to PDF and PDF to Word / Text / Doc Data Compilation in PDF from Several Sources. E-Book Conversion etc. Scanning, OCR with Editing & Indexing Services Service Example: High speed Image-Scanning and Data capture services High speed large volume scanning OCR Data From Scanned page / image Scan & OCR paper Book in to CD. ADOBE PDF Conversion Services. Conversion from paper or e-file to various formats Book Keeping and Accounting Services Service Example: General Ledger Accounts Receivables and Accounts Payable Financial Statements Bank Reconciliation Assets / Equipment Ledgers etc.

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Form Processing Services: Service Example: Insurance claim form Medical Form / Medical billing Online Form Processing Payrol Processing etc.

Internet / Online / Web Research Service Example: Internet Search, Product Research, Market Research, Survey, Analysis. Web and Mailing list research etc. Challenges for a HR Professional in BPO Brand equity: People still consider BPO to be “ low brow”, thus making it difficult to attract the best talent. Standard pre-job training: Again, due to the wide variety of the jobs, lack of general clarity on skill sets, etc, there is no standard curriculum, which could be designed and followed.

Benchmarks: There are hardly any benchmarks for compensation and benefits, performance or HR policies. Everyone is charting their own course. Customer-companies tend to demand better results from outsourcing partners than what they could actually expect from their own departments. “ When the job is being done 10, 000 miles away, demands on parameters such as quality, turn around timeliness, information security, business continuity and disaster recovery, etc, are far higher than at home. So, how to be more efficient than the original?

Lack of focused training and certifications Given this background, the recruiting and compensation challenges of HR departments are only understandable. Key To success The key to success in ramping up talent in a BPO environment is a rapid training module. The training component has to be seen as an important sub-process, requiring constant re-engineering.

Business Process Outsourcing: The Top Rankers WNS has emerged as the top BPO in India, pushing Wipro Spectramind to the second position,

according to a survey done by NASSCOM. The basis of ranking is the revenues generated by the BPO companies in 2003-04, as per US GAAP.

A list of top fifteen BPO companies in India is given below. The parameters for the survey was: Employee Size (Operation level executives), Percentage of last salary hike, Cost to company , Overall Satisfaction Score, Composite Satisfaction, Company Culture, Job Content / Growth, Training , Salary and Compensation , Appraisal System, People, Preferred Company: (Percentage of respondents of a company who named their own company as the preferred one), Dream Company: (Percentage of respondents in the total sample who preferred a particular company).

Employee Benefits Provided By Majoriy Of the BPO Companies Provident Fund: As per the statutory guidelines, the employee is required to contribute a percentage of his basic salary and DA to a common fund. The employer for this fund contributes as well. The employee can use the amount deposited in this fund for various personal purposes such as purchase of a new house, marriage etc. **Gratuity:** Gratuity is one of the retrial benefits given to the employee in which the employer every year contributes a particular amount. The fund created can be used by the employee for the purpose of long-term investment in various things such as a house etc.

Group Mediclaim Insurance Scheme: This insurance scheme is to provide adequate insurance coverage of employees for expenses related to hospitalization due to illness, disease or injury or pregnancy in case of female employees or spouse of male employees. All employees and their dependent family members are eligible. Dependent family members include

spouse, non-earning parents and children above three months Personal Accident Insurance Scheme: This scheme is to provide adequate insurance coverage for Hospitalization expenses arising out of injuries sustained in an accident.

Subsidized Food and Transportation: The organizations provides transportation facility to all the employees from home till office at subsidized rates. The lunch provided is also subsidized. Company Leased Accommodation: Some of the companies provides shared accommodation for all the out station employees, in fact some of the BPO companies also undertakes to pay electricity/water bills as well as the Society charges for the shared accommodation. The purpose is to provide to the employees to lead a more comfortable work life balance.

Recreation, Cafeteria, ATM and Concierge facilities: The recreation facilities include pool tables, chess tables and coffee bars. Companies also have well equipped gyms, personal trainers and showers at facilities. Corporate Credit Card: The main purpose of the corporate credit card is enable the timely and efficient payment of official expenses which the employees undertake for purposes such as travel related expenses like Hotel bills, Air tickets etc Cellular Phone / Laptop: Cellular phone and / or Laptop is provided to the employees on the basis of business need.

The employee is responsible for the maintenance and safeguarding of the asset. Personal Health Care (Regular medical check-ups): Some of the BPOS provides the facility for extensive health check-up. For employees with above 40 years of age, the medical check-up can be done once a year. Loans: Many

BPO companies provides loan facility on three different occasions:

Employees are provided with financial assistance in case of a medical emergency. Employees are also provided with financial assistance at the time of their wedding.

And, The new recruits are provided with interest free loans to assist them in their initial settlement at the work location. Educational Benefits: Many BPO companies have this policy to develop the personality and knowledge level of their employees and hence reimburses the expenses incurred towards tuition fees, examination fees, and purchase of books subject, for pursuing MBA, and/or other management qualification at Indias top most Business Schools. Performance based incentives: In many BPO companies they have plans for , performance based incentive scheme.

The parameters for calculation are process performance i. e. speed, accuracy and productivity of each process. The Pay for Performance can be as much as 22% of the salary. Flexi-time: The main objective of the flexitime policy is to provide opportunity to employees to work with flexible work schedules and set out conditions for availing this provision. Flexible work schedules are initiated by employees and approved by management to meet business commitments while supporting employee personal life needs .

The factors on which Flexi time is allowed to an employee include: Child or Parent care, Health situation, Maternity, Formal education program Flexible Salary Benefits: Its main objective is to provide flexibility to the employees to plan a tax-effective compensation structure by balancing the monthly net income, yearly benefits and income tax payable. It is applicable of all the

employees of the organization. The Salary consists of Basic, DA and Conveyance Allowance. The Flexible Benefit

Plan consists of: House Rent Allowance, Leave Travel Assistance, Medical Reimbursement, Special Allowance Regular Get together and other cultural programs: The companies organizes cultural program as and when possible but most of the times, once in a quarter, in which all the employees are given an opportunity to display their talents in dramatics, singing, acting, dancing etc. Apart from that the organizations also conduct various sports programs such as Cricket, football, etc and regularly play matches with the teams of other organizations and colleges.

Wedding Day Gift: Employee is given a gift voucher of Rs. 2000/- to Rs. 7000/- based on their level in the organization. Employee Referral Scheme: In several companies employee referral scheme is implemented to encourage employees to refer friends and relatives for employment in the organization. Paid Days Off Maternity Leave Employee Stock Option Plan In spite of all these benefits, the attrition rate in BPO industry is very high, why?. What is the reason for an employee to leave? These and many more are the questions that need immediate attention from the industrial gurus. Why people prefer to join BPOs?

In general a person with any graduation can join any of the BPO. Some BPOs like to take people with MBA but then again the specialization are of an individual hardly makes any difference. Again, this is the industry, where there is no reference checks and very often people dont even specify there exact age. Lets me share with you some of the reasons as why people prefer

to join a BPO: Did not get a better job. Find nothing better to do. Education level doesn't matter Good work environment Good Benefits Flexibility of time Attractive life style Transport facility Why people leave the BPOs?

When there are so many benefits associated with BPO industry?. when there are so many privileges for the BPO employees than what makes them to change the company/industry?? Is it only MONEY that matters or anything else as well?? Here are some of the reasons for a BPO professional to change his/her job. No growth opportunity/lack of promotion For higher Salary For Higher education Misguidance by the company Policies and procedures are not conducive No personal life Physical strains Uneasy relationship with peers or managers What they have to say? With so much of uncertainty in the market?.. eople are trying their best to stop or to at least have a control on the attrition rate? let me share with you the opinion of the real gurus of the industry. " It will not be possible for the industry to arrive at a blanket agreement on poaching but bilateral agreements between companies are being signed. Basic norms are being put in place and code of ethics is being stressed upon by industry players within the sector with respect to HR practices. We are encouraging companies to adopt responsible behavior in order to ensure that the industry does not become a victim of its own actions.

Industry needs to go aggressive but not cannibalistic. " - Mr. Suren Singh Rasaily, Senior Vice President, NIIT Ltd. and Head Plantworkz, Conclusion: This is a descriptive report on BPO industry. I have tried to cover almost everything related to the industry. I like to have your opinion about the same. Even at the end of this comprehensive report, my concerns are <https://assignbuster.com/talent-management-in-bpo-in-india-assignment/>

related to development of employees in BPO, controlling attrition rate in BPO, can we have some standard industrial compensation package/ break-ups? draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} {draw: frame} 5

NASSCOM STRATEGIC REVIEW 2010 Courage is as often the outcome of despair as of hope; in the one case we have nothing to lose, in the other, everything to gain - Diane de Pointiers If there was one word which epitomised the world in 2009, it would be courage. Courage, to pierce the darkness of challenging times and hope, amid despair. 009 ushered turbulence, with countries around the recession impact on India was relatively moderate, in an increasingly globalised environment, it could not escape declining GDP growth, rising unemployment and weakened consumer demand. However, prompt action by governments across the world and stimulus packages helped to contain this downfall and make way for revival by the end of 2009. Over the past decade, the Indian IT-BPO sector has become the country's premier growth engine, in addition to becoming the global brand ambassador for India.

However, the industry performance was payments and deals, went bankrupt while others renegotiated pricing, looking for severe pricing cuts and stretching the dollar. The changing demand outlook, customer conversations and requirements acted as a driver to build in here to stay. 2009 was also instrumental for more ways than one for the industry. While the industry displayed tenacity and resilience, it also commenced its journey to achieve its aspirations in view of the altered landscape.

It commenced working on its agenda to diversify beyond core offerings and markets through new business and pricing models, specialise to provide end-to-end service offerings with deeper penetration across verticals, transform the process delivery through re-engineering and enabling technology, innovate through research and development and drive inclusive growth in India by developing targeted solutions for the domestic market. All these measures, along with India's game changing value proposition has helped India widen its leadership position in the global sourcing market.

The advent of 2010 has signaled the revival of outsourcing within core markets, along with the emerging markets increasingly adopting outsourcing for enhanced competitiveness. Key demand indicators in the last two quarters such as increased deal flow, volume growth, stable pricing, and faster decision making has made the industry post good results. Though full recovery is expected in another two quarters, signs of recovery Global Sourcing Trends Worldwide technology products and services related spend is estimated to reach USD 1.5 trillion in 2009, a decline of 2.9 per cent over 2008.

Worldwide hardware markets were hit worse than software or service markets as a result of the changing economic outlook, with almost 8 per cent decline in 2009 versus Corporations extended their hardware lifecycle and delayed plans for new hardware acquisitions, Executive Summary 6 NASSCOM STRATEGIC REVIEW 2010 also curtailing their discretionary spend. However global corporations leveraged IT to drive organisation of lower transaction volumes, overall IT spend was largely driven by a revival in North

America and BFSI, along with increased adoption in emerging markets such as APAC and retail/healthcare.

A dynamic Recent global M&A activity in the sector indicates stronger services play for global hardware vendors, which will make this segment more competitive for the Indian vendors. Changing customer expectations, emergence of new off shore locations along with new service providers delivering services through the cloud promise to shake up this industry going forward.

Indian IT-BPO Performance The industry is estimated to aggregate revenues of USD 73.1 billion in FY2010, with the IT software and services industry accounting for USD 63. billion of revenues. During this period, direct employment is expected to reach nearly 2.3 million, an addition of 90,000 employees, while indirect job creation is estimated at 8.2 million. As a proportion of national GDP, the sector revenues have grown from 1.2 per cent in FY1998 to an estimated 6.1 per cent in FY2010. Its share of total Indian exports (merchandise plus services) increased from less than 4 per cent in FY1998 to almost 26 per cent in FY2010.

Exports market: Export revenues are estimated to gross USD 50. billion in FY2010, growing by 5.4 per cent over FY2009, and contributing 69 per cent of the total IT-BPO revenues. Software and services exports (including BPO) are expected to account for over 99 per cent of total exports, employing around 1.8 million employees.

- **Geographic focus:** The year was characterised by a strong revival in the US, which increased its share
- **Vertical markets:** The industry's vertical market mix is well balanced across several mature and emerging sectors. 2009 saw increased adoption of outsourcing from not only our biggest segment i. e. , the Banking, Financial Services and Insurance (BFSI), but also

new emerging verticals of retail, healthcare and utilities. • Service lines: The IT Services segment aggregated export revenues of USD 27.3 billion, accounting for 55 per cent of total exports. Indian IT service offerings have evolved from application development and maintenance, to emerge as full service players providing testing services, infrastructure services, consulting and system integration.

Within that, IT outsourcing exhibited a strong growth, in line with the global trend, driven by increased spend in the remote infrastructure management, application management, testing and SOA segments. Further, cloud computing took centre stage this year, as it offered clients access to best-in-class process management at reduced capital expenditure levels. of the industry and is estimated to reach USD 12.4 billion in FY2010, growing at 6 per cent.

Increased acceptance of platform BPO solutions was the key highlight, as Indian BPO providers increasingly focused on transforming client businesses through a mix of re-engineering skills, technology enablement, and new service delivery methods. Additionally, the engineering design and products development segments that involve IP driven service capabilities command an exports revenue share of 20 per cent, generating total revenues of USD 10 billion in FY2010, growing by 4.2 per cent. 7 NASSCOM STRATEGIC REVIEW 2010 Domestic market: Domestic IT-BPO revenues are expected to grow at almost 8. per cent to reach INR 1,088 billion in FY2010. Rise of Indian corporations facing competitive market conditions through an increasingly globalised Indian market, increased spend by the government in several e-Governance initiatives, enhanced connectivity and increased levels

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of IT spending are key factors, which make the domestic market lucrative today. Coupled with the fact that companies are looking to improve competitiveness by adopting global best practices, leverage customised service offerings and new delivery models such as SaaS, which ensures greater cost savings.

Domestic IT services is expected to grow by 12 per cent in FY2010. While hardware spend is largely expected to remain flat in FY2010, an imminent hardware refresh cycle will positively impact revenues next year. The domestic BPO segment has continued its strong performances over the past few years, growing by 22 per cent over FY2009, to reach INR 108 billion, driven by large deals in the telecom and BFSI space. Indian IT-BPO Value Proposition

Availability of quality talent at cost effective rates, rapidly developing infrastructure, an enabling innovation environment, supportive regulatory policies, and a positive overall business environment — are all central pillars of India's value proposition

- Low cost of delivery- India offers the lowest cost of delivery as compared to other off shore locations, with Tier-I locations offering savings of ~70 per cent over source locations, Tier-II/III cities in India
- *High calibre* talent pool- Availability of skilled talent has been India's foremost attraction as a global sourcing country.

India's graduate outturn has more than doubled in the past decade, with addition of 3.7 million graduates in FY2010, a scale unmatched by any other country. While some gaps in talent suitability exist, they are being addressed through strong provider-level initiatives and industry-led programmes.

Robust process delivery- The industry has been extremely quality focused, with India based centres also set standards in the establishment and maintenance of best practices in corporate governance, and leads in customer satisfaction. Business environment and infrastructure- Timely government policies and increased public private participation have played a key role in developing an enabling business environment for the Indian IT-BPO sector. India's strong education framework ensured ample supply of technical and non technical talent, while the establishment of Software Technology Parks of India (STPI), and later SEZs provided an enabling ecosystem for the industry to flourish.

Infrastructure development has been addressed by both public and private sector, leading to the development of world class facilities in select cities. • Growing Indian market- India has become, in purchasing power parity terms, the fourth largest economy in the world. India's economic growth since 1980 has been rapid. Real average household income has roughly doubled since 1985. With rising incomes, household consumption has soared and a new middle class has emerged. It is expected that India will go through a major transformation over growth path. NASSCOM STRATEGIC REVIEW 2010 • Transformational capabilities- The industry has been enhancing its abilities to transform client businesses through increased R&D spend, focus on IP creation, development of new technologies incorporating process and business model innovation and increased domain expertise. • Global footprint- Increased focus on global delivery has required the industry to enhance its global footprint, which has in turn helped the industry reach out to new customer segments and offer new services.

Over the last two years, there has been a 32 per cent increase in the number of global • Focus on sustainable growth- Going green has become the motto of the industry as it seeks to develop a business model that is not only competitive but sustainable with minimum ecological impact. Impact of IT-BPO Sector on India The impact of the IT-BPO sector is multi-pronged as elucidated below: • Contribution to India's economy- In addition to a high contribution to the country's GDP and share of exports, the industry and employees contribute about USD 4. billion to the exchequer. USD 21 billion in FY2009. • Enabling regional development- Also, the industry has played a key role in regional development with IT-BPO intensive states accounting for over 14 per cent of respective state GDPs, with 58 per cent of engineering graduates, and 62 per cent of engineering colleges. IT-BPO intensive states have 100 per cent higher broadband penetration and 50 per cent higher tele-density than the India average, and also account for 75 per cent of SEZs. • Empowering diverse human assets- The industry has played its part in empowering a diverse set of human assets – 30 per cent of employment in the age group 18-25 yrs, 4 per cent of employment for economically backward people, over 30 per cent of total employee base are women, 60 per cent of companies offer employment to differently-abled people, while 58 per cent of total employment are originally from Tier-II/III cities. Enabling environment for innovation- The industry has been at the forefront of creating an enabling environment for innovation, with a 29 fold increase in patents over FY2005-FY2008, and average R&D spend of ~1 per cent of revenues. • Enhancing the brand image of India- The industry has played a key role in enhancing the brand image of India, by accounting for over 10

per cent of total FDI in the last decade, over 200 cross border acquisitions between FY2005-FY2009, and establishment of over 900 MNC captives in the last decade. Facilitating social development- The industry has imbibed a strong sense of social responsibility with over USD 50 million spent in FY2009 towards CSR activities mainly focused on education, health awareness and ecological development. 9 NASSCOM STRATEGIC REVIEW 2010 Future Outlook The beginning of the new decade heralds the slow, but steady end of the worst recession in the past 60 years. Global GDP, after declining by 1. 1 per cent in 2009, is expected to increase by 3. 1 per cent in 2010, and 4. 2 per cent in 2011, with developing economies growing thrice as fast as the developed economies. s expected to drive IT spending going forward. IT services is expected to grow by 2. 4 per cent in 2010, and 4. 2 per cent in 2011 as companies coming out of recession harness the need for information technology to create competitive advantage. Organisations They expect IT to play a role in reducing enterprise costs, not merely with cost cutting but by changing business processes, workforce practices and information use. Movement toward SaaS and cloud to address constrained IT budgets. Government IT spending continues to rise across the world, focusing on infrastructure, and security.

Other areas of spending include BPM, data management, on demand ERP, virtualisation, and efforts to increase and deliver enterprise managed services on IP networks. Business process outsourcing spending in 2010 is expected to be increasingly driven by F&A segment and procurement, followed by HR outsourcing. Providers will increase their focus on developing platform BPO solutions across verticals and services. 2010 is also expected

to be an IT hardware refresh year with Windows 7 driving the replacement cycle, in increased levels of spend. nly support short term, tactical goals of cost savings, but also long term advantages of increased increased acceptance as off shore based providers grow and traditional service providers ramp up off shore delivery capabilities. Even though India has a 51 per cent market share of the off shoring market, there is tremendous headroom for growth as current off shoring market is still a small part of the outsourcing industry. Signifi cant opportunities exist in core vertical and geographic segments of BFSI and US, and emerging geographies and vertical markets such as Asia Pacifi c, retail, healthcare and government respectively.

Development of these new opportunities can triple the current addressable market, and can lead to Indian IT-BPO revenues of USD 225 billion by 2020. The industry also has the potential to transform India by harnessing technology for inclusive growth. However, realisation of this potential will involve mitigation of several challenges that India faces supply of talent, it is largely trainable in nature, not employable. This leads to incremental training costs and increased downtime for the industry, which is challenging keeping in mind uality talent availability in competing countries. Currently, over 90 per cent of total revenues are generated from the seven 10 NASSCOM STRATEGIC REVIEW 2010 Tier-I locations, which are nearing peak capacities in terms of infrastructure support. India has to quickly develop other delivery locations to achieve its 2020 vision. There are concerns around security - both physical and data related, in service delivery, which would need to be

addressed. Currency fluctuations have also dented India's competitiveness, and steps need to be taken to address India's increased risk perception.

A key impact of the recession has been the rise of protectionist sentiments in major markets regulations are making the business environment more challenging. Last but not the least, a number of new outsourcing destinations seeking to emulate India's success have emerged, offering multiple

Concerted action by all stakeholders around below parameters is required to capture the opportunities and mitigate future risks. In doing so, stakeholders (industry, NASSCOM and the government) will need to act together in an

unprecedented manner:

- Catalysing* growth beyond today's core markets:

Breaking ground in new markets (verticals, geographies, segments) through reinvented offerings and business models.

- Establishing India as a trusted

global hub for professional services: Building a conducive business

environment (improved infrastructure, public services, corporate

governance, and security) and a strong global image. This will require the

stakeholders to address risk issues associated with India, and make serious

efforts to build a strong global brand. Harnessing ICT for inclusive growth:

Stimulating inclusion of citizens by enabling technologyled connectivity,

improved soft infrastructure, and a balanced regional development. *•

Developing a high calibre* talent pool: Bridging a crucial talent gap by

addressing gaps in tertiary education, at the same time fuelling efforts to

upgrade curriculum, faculty and training methodologies.

- Building a pre-

eminent innovation hub in India: Encouraging intellectual property,

establishing distinctive capabilities and fuelling entrepreneurship.

India's technology and business services industry has flourished in the last decade. A bright future lies ahead and the industry has much to look forward to, with the potential to quadruple its revenues over the next decade.

Several macro-economic and social trends will support the rise of the IT-BPO sector in the future, in core and emerging markets. However, it is imperative for industry stakeholders to break out of the traditional mould that resulted in past successes and step up to the aspirations of the future.

This would need new business models, reinvented service offerings and an enabling environment supported by adequate levels of infrastructure and talent. India faces serious competition from other global sourcing locations, and to retain its advantage, concerted effort is needed by all stakeholders. Development of Tier-II/III cities to support major delivery locations is an imperative, along with upgrading the overall quality of talent pool. that will promote investments, and also will need to drive the domestic industry by spending on e-Governance projects.