

# Off-shoring



## PASSAGES TO INDIA?

In principle, off-shoring should hold few terrors for companies or customers – but often it does. Wanda Warhaftig explores some of the practical issues.

For it is not that that the Englishmen can't feel – it is that he is afraid to feel. He has been taught at his public school that feeling is bad form. He must not express great joy or sorrow, or even open his mouth too wide when he talks – his pipe might fall out if he did. He must bottle up his emotions, or let them out only on a very special occasion.

EM Forster: *Abinger Harvest*,  
Part 1 – Notes on the English character 1936

Eighty years ago, EM Forster romanticized the religions of India and its mysterious spirit, contrasting them with the frozen, stilted heart, as he saw it, of Europeans. “Only connect” was his message, but *A Passage to India* is the tale of a series of cultural and linguistic misunderstandings that lead to the

hallucinatory experience in the Marabar Caves, in which a young English woman believes she has been raped by an Indian medical officer. More recently, Gurinder Chadha's flamboyant Bollywood version of *Pride and Prejudice* transplanted Jane Austen's classic tale of marriages and manners to modern-day India, England and America, where Austen's heroine attacks the West for its consumerism, its patronizing and exploitative attitudes towards India and, ultimately, for its failure to grasp India's heart and enigmatic soul. As with *Bend it like Beckham*, also directed by Chadha, the British public will flock to see the film because the West has always been drawn to the East, and we feel a natural affinity towards it.

So why does India find its call-centre agents ridiculed for a lack of empathy, for convoluted, ludicrous turns of phrase and a supposed inability to give the British satisfaction? Why is it now felt that financial companies set up operations in India at their peril? ContactBabel research<sup>1</sup> suggests, for example, that insurers risk higher customer defection by off-shoring, and 75% of customers rated their service experience worse than with a UK call-centre. This is reinforced by the trade union, Amicus, which found that 74% of customers who have experienced service from an off-shore centre feel negative towards both the experience and the provider.<sup>2</sup>

We hear accounts of agents stripped of their names and force-fed UK sit-coms to tap into the deeper recesses of the British psyche and to empower them to deal more effectively with British customers. These self-same customers are far from Forster's uptight Englishmen; indeed, the main difficulty Indian agents suffer is coping with the pithy and uninhibited expressions of abuse that the British often use on the phone. As a result, a special dictionary has even been compiled by HCL Technologies<sup>3</sup> to help agents with the racier idioms – for example, to correctly identify the expression “Well, bugger me!” as one of surprise rather than a request for the agent to take a particular course of action.

### You have my every empathy

A lack of empathy, however, is not down to ignorance of the delights of British light entertainment nor the exclusive shortcoming of the highly-educated and articulate Indians who invariably man the phones in

#### NOT SUDDEN DEATH

LloydsTSB opted to work with two outsourcing partners in India because it felt their values were compatible with its own.

The bank needed to recruit the best staff but, as it is not known locally as an “employer brand”, it would not attract the best graduates. Contractually, the agents are employed by ICICI, a large Indian bank, but the centre is integrated with LloydsTSB's head offices in terms of intranet access, news and information received.

On the subject of names, the bank considers it “abhorrent” to enforce different ones on agents, but it is “common sense to abbreviate complex ones or to anglicize to a degree”. The only area in which the bank intervenes directly is in giving training on idioms and colloquialisms.

Taken from *Far pavilions – Off-shore outsourcing in financial services* – LIMRA Europe September 2004, sponsored by EDS. Contact the author for more information.

business centres in India – it occurs anywhere and everywhere. Empathy and communication skills are not automatically the domain of native speakers, and depend on a common culture. Merely sharing a country does not mean sharing a culture – the American election has, for example, revealed stark geographical and societal (East Coast intellectuals vs rednecks) divisions.

John Humphrys<sup>4</sup> refers to “the nobs”, those who hanker for the days when your station in life was defined by the way you spoke, but it is still the case that every time we open our mouths in Britain we reveal where we stand in the pecking order of acceptability or cool. Nothing divides the British as much as glottal stops, gutturals or wrongly-aspirated aitches.

### Trick or treat?

Call-centres engender little love in Britain – rated second (after queues in banks) in a recent survey<sup>5</sup> of “greatest dislikes”. To that extent, not much has

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changed in the twenty years or so since home-based call-centres were first established as a cost-saving measure. To some extent, it is the out-sourcing rather than the off-shoring that is the issue for customers – and providers.

Mervyn Pedelty<sup>6</sup> has stressed in these pages that Co-operative Financial Services (CFS) will never outsource the customer contact experience, because customers will always prefer home-grown CFS employees who “live their values”. CFS has an enviable reputation for customer focus and satisfaction, but the sad reality is that positive experiences are elsewhere generally rare in this country – as exemplified by Leon Kreitzman's account<sup>7</sup> of his appalling experience with a UK high-street bank.

Indeed, the off-shored call-centre is not always inferior to the home-based version. ICICI's call-centres in India achieved the same level of core metrics in six months as ones in Britain and America had achieved over several years, and although their clients were initially attracted by cost-savings, they stay because of the quality delivered.

### All or nothing?

Off-shore isn't an all or nothing question, but carries a range of relationship and partnering options, each with a different risk profile:

- With co-sourcing, a third party may provide resource on the client's own premises, with the client overseeing all the processes; or it may involve a combination of on-site, off-site and off-shore work, with the management delegated to the outsourcer according to the client's own specifications.
- Dedicated off-shore centres can be established in an appropriate location for the client, with joint planning and control between the client and outsourcer, or as a formal joint venture.
- With build-operate-transfer (BOT), a vendor is employed to establish an off-shore operation, and the outsourcing company subsequently takes ownership after it has demonstrated that it can run it smoothly.

With appropriate techniques and effective control, these different options can be blended together. For example, EDS has created a Best Shore<sup>SM</sup> operating model, which uses common procedures, technologies and standards to manage service across a number of centres. These may be located in the same country as the client, or nearby, or across the globe – allowing “follow the sun” operations.

**Outsourcing comes of age**

Media attention has focused on the move in the last few years to relocate customer-facing operations off-shore, but off-shore outsourcing in other areas has been going on quietly for decades, and is part of what many believe to be an irreversible trend. A third of all IT spending around the globe is now outsourced, by 55% of companies, and 47% outsource some or all of their administration. In contrast, only 15% outsource call-centres, and only a small proportion of this is off-shored.

The underlying trend is a move away from the outsourcing of specific tasks towards strategic outsourcing – the use of outsourcing to re-engineer business and operational models – not least in financial services.

Deloitte has suggested recently<sup>9</sup> that 20% of the global financial services industry cost base will be off-shored by 2010, and that the key to success is now “execution and rigorous governance”<sup>10</sup>. 80% of financial executives in seven countries expected a significant media backlash when moving jobs overseas, but only 20% thought governments would pass legislation to prevent the moves. In Britain, the government firmly supports off-shoring, arguing against the “resurgent voices of protectionism” by pointing out that, for example, 60% of Indian investment in Europe comes to the UK, and that “one more job in India does not mean one less in Britain”.

**Good risk governance and mitigation**

Mervyn Pedelty touched on the heart of the issue when he referred to the difficulties in co-ordinating even in-

VOICES OF EXPERIENCE

I do wonder about the reality of companies going to India – that some of them are quietly relocating after an adverse experience, but the analysts are not reporting it.

Hugh Burden  
Business Development Director, Invest North Ireland

Companies can make fundamental mistakes when it comes to the rationale for going abroad. The major potential for risk occurs in the areas of process, reputation and customer satisfaction. Corporations need to be totally honest with any activity that involves “higher reputational risk”.

LloydsTSB

[Quotes taken from *Far pavilions* – see *Not sudden death*, above]

house call-centres “just down the road” in Skelmersdale and Stockport – still less on a sub-contracted basis on another continent and in another time zone. But all businesses must manage various risks, and outsourcing is not negated as a strategy simply because, in moving off-shore, a new set of risks emerges – nor because many of these have, to date, been badly managed.

It is important, therefore, that companies act with diplomacy and an understanding of the effects of their actions on all the stakeholders on their businesses and the wider communities. Best practice with unions should include involving them in frank and open discussion at the outset of any plans to move jobs overseas, and companies should be mindful of a duty to the region and local communities affected by actual or potential job losses.

There is evidence that workers in India are starting to suffer from the same sorts of stress-related ailments as employees in developed markets. Off-shore employers would do well to demonstrate that they offer the equivalent welfare support as they do to employees in their domestic markets.

There would also appear to be a strong ethical case for the right to be informed – in other words, and to ameliorate concerns in the wider public, customers should be advised in advance of where their calls are handled from. In France, a new code of practice from October 2004 has made it mandatory to tell customers where a centre is located. One French parliamentarian calls it a selective boycott, one designed to give an impression of incompetence and antagonism towards “job thieves”.

As outsourcing moves up the business agenda, the importance of ensuring good governance in the management of the risks involved has become a regulatory issue. In August 2004, the Joint Forum of the Basel Committee on Banking Supervision issued its guiding principles for outsourcing in financial services,

## THE BASEL COMMITTEE RISKS

- Strategic
- Reputation
- Compliance
- Operational
- Exit strategy
- Counterparty
- Country
- Contractual
- Access
- Concentration/systemic

covering the areas of greatest risk. These principles stipulate that boards of directors retain full responsibility for any outsourcing policy and the activities carried out under that policy, and that, for example, all aspects of the arrangements should take into account the rights, responsibilities and expectations of all parties affected or involved. It follows that any off-shored customer service experience must, as a minimum, be the equivalent of what the customer could legitimately expect in his or her home territory.

**Globalization – but not in language ability**

Despite this growing body of regulation for off-shore operations, the Confederation of British Industry (CBI) recently warned that the relative burden of coping with increasing regulation in Britain will push more organizations off-shore – perhaps involving the loss of 250,000 domestic jobs (about 4% of the working population) over a ten-year period. As Sir Digby Jones, Director-General of the CBI, put it recently, “globalization was made for Britain. It is in our DNA.”

It may need to be. The West is running short of young people. Over-55s in the workforce will soon outnumber 25–34-year-olds, and normal immigration will not serve to cover even the essential jobs in the economy which are at risk.

What does this mean for good communication? English is the language of international business – which may be the rationale behind the UK government’s decision to allow foreign language teaching to lapse after the age of fourteen, but if that is the case, why is it so hard to do business with an agent speaking a legitimate variant of English, albeit in a distant location?

Best practice in communication may depend on rather more than the normally-considered parameters. We all need to become better at “encounter regulation”, “identity management” and “instrumental control”; moreover, “emotional”, or even “aesthetic”, management will become a crucial element – some people have a natural talent for making conversation more fun or “clever”, but there are tips we can all learn to make our interactions more appealing.<sup>11</sup>

**A many-splendoured thing**

If all the regulatory checks and balances are in place; if customers are convinced companies have exercised due diligence in all aspects of their outsourcing choices before choosing an off-shore location; if they believe that any benefits are ploughed back into the business for the benefit of all stakeholders, including customers; if companies adopt clear and open communication strategies with unions, employees and local communities about off-shoring decisions that will affect them; then it may cease to be seen as an underhand

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means of making short-term cost-savings, and be accepted instead as a mainstream strategic choice.

The Silk Road will become an integrated part of the total business. Back to the beginning: *Pride and Prejudice* is fundamentally an exploration of the qualities that make for the best possible marital relationship. The novel is scattered with examples of dysfunctional ones, ones built on expediency or deceit. In this sense, it is perhaps an ideal proxy for what makes for the optimum off-shore outsourcing relationship – ones based purely on financial criteria will not work. But I’ll leave it to the reader to draw out all the other parallels. And then maybe we can connect. □

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<sup>1</sup> *Finding the balance: The effect of offshore customer contact on profit and brand.* May 2004.

<sup>2</sup> Quoted in the ContactBabel research, above.

<sup>3</sup> One of the largest contact centre employers in India.

<sup>4</sup> *Lost for Words – The use and abuse of the English language* Hodder & Stroughton 2004

<sup>5</sup> *Hallowe’en survey* National Consumer Council 2004

<sup>6</sup> The newly-knighted (and newly-retired!) chief executive of Co-operative Financial Services – the holding company for Co-operative Insurance Services and the Co-operative Bank, interviewed by Anthony Thomson in *Argent 3.1*, January 2004, pp14–21.

<sup>7</sup> See *Words and figures do not match* in *Argent 3.3*, May 2004

<sup>8</sup> According to Aashu Calapa, vice-president of HR at ICICI

<sup>9</sup> *Cusp of a revolution* November 2003

<sup>10</sup> The Titans take hold May 2004

<sup>11</sup> Based on an analysis by the contact centre specialist CM Insight, in *Offshoring and the customer experience* May 2004. A full copy of the report is available from Emma Bromhead – emma.bromhead@cm-insight.com