

Hybrid Model of Outsourcing by Indian BPOs

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Abstract

Hybrid means successfully building on the legacy systems from yesteryear to establish the cloud-based solutions of today and tomorrow. It also means innovating where required and possible while maintaining and integrating well-functioning components from the past. Simply because they get the job done at the lowest cost possible, or because you want to write off your current investments before you replace them.. Today's cloud-sourced technologies and services however allow us to both leverage our existing technology investments, introduce new technologies where required, all while rapidly transforming the global Service Delivery model and technology toolset

Keywords: *hybrid, multishoring, reshoring, BOT, SaaS*

1. Introduction

Companies have often used a mix of captive offshore centers and outsourcing deals with offshore service providers to meet their global IT and business process needs. In recent past however, some mature outsourcing clients started with hybrid models that, theoretically, supposed to deliver the best of both worlds.

The Hybrid Model is also known as Dual-Shore model as it is the combination of both onshore and offshore services. In these both the client and outsourcing vendor works together in tandem to complete the task. For instance if 20% of the work is likely to be done at onshore, then the remaining 80% work is carried out by the offshore team in order to leverage cost arbitrage.

With the ongoing BOT, build-operate-transfer model, customer's partner with an offshore outsourcer who builds a service center, runs it for specified number of years, and then transfers ownership to the customer which is again a captive model which started as the beginner to all our countrys' ITeS market in the early 1990s.

The idea is that it's always less risky to enter into the captive space; the customer pays the provider to do all the heavy lifting from construction and setup to hiring and training, paying an operating fee and eventually a buyout fee for those benefits. Starting with Genpact, British Airways and the case in point being MetLife set up such a

deal with EXL and now owns the offshore center itself. This model eventually minimizes upfront massive investment and increases speed and agility to market. Another hybrid option could possibly be the "virtual captive." Model in which the client owns providing all the needed overall management and control and anyone visiting the campus would assume from the branding and employee-badging that it was pure-play insourcing. In reality, the service provider is responsible for most day-to-day operations.

One of the first virtual captives was a BPO center set up in 2005 owned by Wachovia and operated by Genpact. The virtual captive, on paper, provides the risk sharing and build-up benefits of the build-operate-transfer model but imparts more control to the customer than the pre-exit build-operate-transfer model. This model can also help to address certain client compliance regulatory or so to say the quantifiable risk needs. The client could be more relieved with added flexibility and the distinct advantage of closely focusing on core management functions while the vendor takes care of ongoing operations

2. Companies adopting Hybrid BPO

Invariably the companies that make it work have a clear long-term vision and a strategic intent for reaching their desired end-state and their service providers the sharing both. Despite they are meant to provide the best of both worlds the clear advantages still in fact, there are plenty of things that may go wrong in these hybrid options involving lot of challenges like clearer thinking, steering better alignment, and different kinds of incentives. There could be lots of challenges in the implementation phase.

With the build-operate-transfer model, for example, there can be little incentive for the provider to invest in the offshore center knowing that they will be at the end transferring it back again to the clients in a few years' time. In practice top BPOs who are large and successful may be less willing to devote their A-teams to such clientele.

A virtual captive may require more management oversight than some customers anticipate. Both models also require extensive change management. A hybrid model may make

variance to examine the series of dependence relationships simultaneously.

The unique advantages of using SEM is to test complex hypothesis that comprises of direct and indirect effects, interactions, reciprocal relationships between one or more independent variables and one or more dependent variables. SEM names the independent variables as Exogenous variables and the dependent variable as Endogenous variables. SEM allows a statistical test of goodness of fit. SEM with latent variables have been used extensively in measurement and hypothesis testing

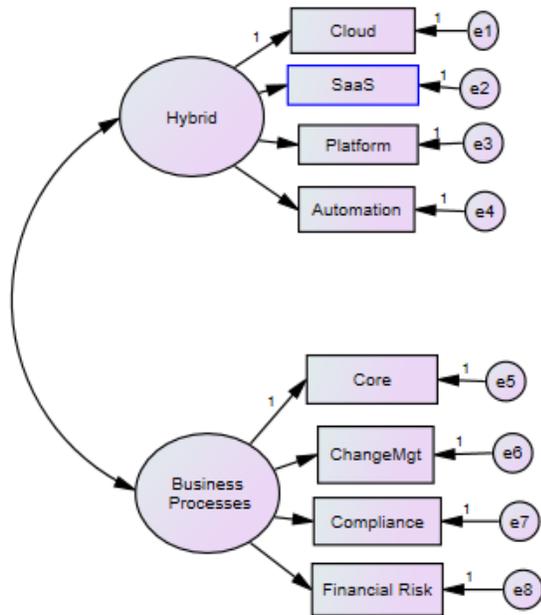


Fig 3 SEM analysis

5. Interpretation

In the portfolio allocation of new as well as renewed contracts in the 2014-15 when approximately US\$ 1200 million contracts came for renewal and the hybrid model is preferred by little more than 10% of the overall contracts in Finance, HR verticals. In mortgage processing, insurance it is between 8-10% and certainly on the rise.

In SEM analysis of considering hybrid processes based on technical mandate and their equal amount of consideration on business processes the fit indices are summarised .

	CMIN	CMI N/DF	P	RMSE A	GFI	AGFI	TLI	NFI	PCFI	CFI	PCLOSE
Actual	107.868	2.452	0.11	0.014	0.904	0.930	0.951	0.911	0.844	0.954	0.56
For good model											
Chin1998 ;Kline2011		<5	>.05	0.03-0.08	>0.9	>0.9	>0.9	>0.9	=>0.8	>0.9	>0.5

The SEM analysis indicating a good fit on these factors

6. Conclusions

By embracing the concept of outsourcing the transactional and administrative on a global scale and across all related disciplines, an organization can focus on execution of the broad business and specific HR strategy without trying to develop all of the services internally. This (re)focus on ‘core business’ will allow the adoption of world’s best practice and evolves the services wrapper to align with business and technology demands while reducing operational costs.

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