

Analysis of Business Process Outsourcing in Pakistan

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Abstract

In this research paper, the Business Process Outsourcing and Call Centre Industry in Pakistan are analyzed. Firstly, Business Process Outsourcing is analyzed and considered along with the sources which can be outsourced inside and outside the country in the global scenario. Secondly, the analysis is also done afterward on Business Process Outsourcing in Pakistan evaluating the strengths and weaknesses of the call centre industry of Pakistan. Then a detailed classified infrastructure of the call centre industry has been evaluated in terms of the Human Resources available for Pakistan. The economic analysis of call centre industry in Pakistan is also carried out based on the cataloged basics considering the system along with the categories, globally and locally.

Introduction

All over the globe, Information Technology (IT) is stretching its abilities and efficiencies in influencing organizations to look again in their business processes for increasing productivity and reducing overall costs. This upswing in IT trends has given rise to the process of outsourcing non-core business practices to the Business Service Providers (BSPs). Pakistan is at the threshold of one of the greatest opportunities in the global BPO market. We have acquired virtually all of the pre-requisites for success ranging from low cost to government incentives and funding. The government is using all its resources to create the infrastructure required to jumpstart growth in the business process outsourcing sector so the Business Service Providers could concentrate on marketing their services abroad and get due share in the international BPO market. In Pakistan BPO industry, although the growth in the fields of medical transcription, legal transcription, data capture and forms processing has not been substantial but in the last few years, there has been a major boom in outsourcing voice-based call centre work. The report also focuses on call centre industry with some description of BPO concept.

The objective is to create awareness among the existing / potential investors and the capital venture companies to explore the IT sector for their business growth. It will specifically benefit the local business entities that are willing to expand their business by making investment in some profitable venture such as call centre. Business Process Outsourcing (BPO) is the delegation of one or more business processes to an external entity that in turn owns administers and manages the outsourced process based on defined and measurable performance criteria. Such back end functions may include anything that can be moved over the bandwidth and include services such as customer support through call centers, accounting, order processing, insurance claim processing, procurement or other logistic functions.

BPO is gaining ground because of the following factors:

- Factor Cost Advantage
- Superior Competency
- Utilization Improvement
- Economy of Scale
- Business Risk Mitigation

What Services Can Be Outsourced?

There are a number of services/operations which can be outsourced. Services which are commonly outsourced include:

- Website Design & Development
- Marketing Outsourcing
- Graphic Design, Presentations & Multimedia Outsourcing
- Programming, Software & Database Outsourcing
- Game Design & Development Outsourcing
- ERP & CRM Implementation Outsourcing
- Networking, Hardware & Telephony Outsourcing
- Writing, Editing & Translation Outsourcing
- Business Consulting Outsourcing
- Management Outsourcing
- Finance & Accounting Outsourcing
- Sales & Marketing Outsourcing
- Admin Support (Legal, Medical, & Accounting) Outsourcing
- Advertising & Broadcasting Outsourcing
- Illustration & Art Outsourcing
- Photography & Videography Outsourcing
- Fashion & Interior Design Outsourcing
- Legal Outsourcing

Global Scenario of Business Process Outsourcing

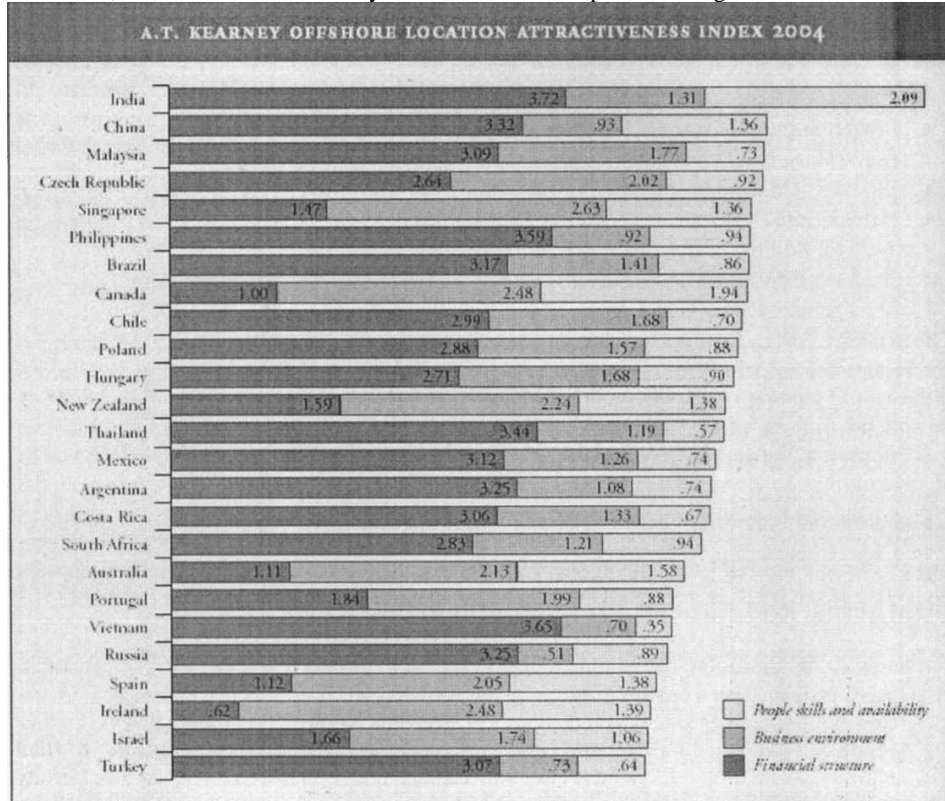
Information Communication Technologies (ICT's) are now considered as the centre of economic and social transformation across the globe. This upswing in IT trends has given rise to the outsourcing of non-core business practices to the Business Service Providers (BSPs). During 2002, around 55% of the fortune 1000 companies were seen to be off shoring one or more business processes in order to reduce cost and remain globally competitive. A well-known market research firm - Forrester Research, predicts that by 2015, a total of 3.3 million U.S jobs and \$136 billion in wages will transfer offshore to countries such as India, Russia, China and Philippines.

The key verticals which will boost the market are the financial services, utilities and telecommunications segments. HR, finance and accounting will, meanwhile, be the key service lines. According to A. T. Kearney's 3 2004 Offshore Location Attractiveness Index, issued in the first quarter of 2004, India is the star performer in the 2004. It captured the top spot by a

comfortable margin, due to its strong mix of low costs and significant depth in human resources. In FY 2003-04, the ITES-BPO segment clocked revenues of US\$ 3.6 billion recording a growth of 46% as compared to 59% in FY 2002-03, while the ITES/IT services sector is expected to generate revenues of US\$ 62 billion by 2008-09 and US\$ 148 billion by 2012, at a CAGR4 of 35% over the 2003-12 periods.

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In Pakistan, BPO sector is not mature yet and there is a wide potential for growth in this field.



Although we have not been successful in the fields of medical transcription, legal transcription, data capture and forms processing but in the last few years, there has been a major boom in outsourcing voice-based call centre work in Pakistan. These include both domestic and international call centers. So far there are approximately 80 international call centers and more than 30 domestic call centers employing more than 2300 agents. Majority of these call centers have operations in major cities such as Karachi, Lahore and Islamabad.

Key Strengths and Weaknesses of BPO Sector in Pakistan Strengths of BPO Sector

- Government Incentives-Support & Funding
- The establishment of a reliable IT infrastructure and provisioning of an incentive package are instrumental in the development of local IT industry. The Government of Pakistan has provided several incentives to investors. Because of these incentives an increasing number of foreign IT companies have chosen Pakistan for their outsourcing operations.

Some of the areas where Government is providing facilitation to the private sector companies are:

- Information Technology Parks with low rents, fiber optic connectivity, libraries and conference rooms.
- Provision of funds for software companies to get ISO-9000 and CMM level certifications.
- Foreign investors allowed 100% ownership of equity in "Software Houses/Software Companies"
- Tax exemptions for IT companies till 2016
- 100% repatriation of profits allowed to IT companies
- Nominal custom duties on import of IT related equipment
- 7 years tax holiday for Venture Capital funds
- The rate of depreciation on computer equipment is 30%
- The State Bank of Pakistan (SBP) has allowed opening of Internet Merchant Accounts by banks.
- Instant, reliable and high speed connectivity available
- Over 85% of telecom infrastructure on fiber optic cables
- Internet access in over 1862 cities/towns
- Pakistan is the first country in this region to establish DWDM telecom infrastructure.
- Several cellular companies using digital transmission (GSM and TDMA)
- Cost of 2 Mbps connection lowered to \$5400/month
- Redundant backup connectivity available through PTCL for call centers.

Weaknesses of BPO Sector

- Political instability and poor market perception are major hindrances for growth of BPO industry in Pakistan. Over the past few years though, Pakistan has become politically much more stable than the past decades. Pakistan also enjoys an improved degree of law and order, and violent crime rates are significantly lower than in India or Mexico.
- Pakistan is at the threshold of one of the greatest opportunities in the global BPO market. We have acquired virtually all of the pre-requisites for success ranging from low cost to government incentives and funding. We even have some competitive advantages over India such as low operating cost and low wages (as indicated above). Since the industry is still in an incipient stage in Pakistan, there are many high level employees available for

work, in contrast to the situation in India where the best workers are fought over and can switch from one supplier to another very fast. The major drawback is client's concerns with Pakistan's repute at international level. At one time countries like Japan and India had poor images as places to invest.

- Advertising and public relations did not turn these situations around alone. The government took many steps to improve their economies, to develop their infrastructure and to create very tangible business climate that were pro-business.
- These countries also instituted attractive incentives for investors. As a result, it played a major role in changing perception of investors as well.

Infrastructure of BPO Sector

- Pakistan offers state of the art technology and infrastructure for establishing world class call centers. Currently more than 40 cities of Pakistan operate through fiber optic exchanges. Telephone density is on the increase and LL (local loop) sector is now open to private investors. The ISP (Integrated Service Provider) sector has breathed a sigh of relief because of the opening up of broadband licenses. In metropolitan areas of Pakistan, broadband charges are competitive; costing as little as US\$ 25 per month. A dedicated E1 circuit is actually the cheapest in the Asia Pacific region. Currently one E1 of 2Mbps clear pipe bandwidth is available for US\$ 6600 per month.
- All major software technology parks currently have a capacity of over 600Mbps of internet bandwidth. The bandwidth prices have come down drastically over last three years for call centers. Satellite bandwidth is available for free as a backup to the fiber optic.
- Many different modes of connectivity are available readily such as DXX (Digital Cross Connect), ISDN (Integrated Services Digital Network), Fiber Optic, DSL, ADSL, and rooftop VSAT.

Human Resources for BPO Sector

- Human resource is the key strength in BPO business and quality of human resource is the most important factor that contributes to this strength.
- In the call centre business, a customer does not care what a call centre is, nor is the customer concerned with where a call centre is located. What truly matters is how well the call centre representative treats the customer. That is why customer service representatives are considered to be the back bone the central source of both revenue and success.
- A large number of Pakistanis comprehend and speak English as their second or third language. English language skills in Pakistan are a "must" to the extent that it has become mandatory to have good communication / writing skills for landing any job. The quality of agents has increased as a result of in-house training conducted by multinational firms.

Even the Ministry of IT is eager to provide funds for the necessary training required to enhance human skills in BPO industry.

Functions of Call Centers

- A Call Centre is a sophisticated voice operations centre that provides a full range of high-volume, inbound or outbound call-handling services, including customer support, operator services, directory assistance, multilingual customer support, credit services, card services, inbound and outbound telemarketing, interactive voice response and web-based services.
- A Call Centre can be used for telemarketing, sales, customer support, or other business related activity. The call centre may contain a few or hundreds of agents who handle calls to relay business information.
- Call centre consists of a complex of telecommunication infrastructures, computer supports and human resources organized to manage effectively and efficiently the incoming and outgoing telephone calls of a given organization.
- The customer calls are routed to a call centre where trained agents respond to the inquiries of the customers.

Categories of Call Centers

International Call Centers

International call centers work with a network of offshore operations in different countries. These call centers specialize in excellent multilingual on-the-phone translation skills. Round the clock working hours offer the customers the advantage of 7x24x365. The international call centers are generally industry unique. They provide comprehensive customer contact solutions to meet clients specific needs. Offering customized solutions to resolve special problems, the international call centers are securely supported by state-of-the-art technologies. The short and long-term projects are managed by highly qualified and experienced business development professionals.

Domestic Local Call Centers

The domestic or traditional call centre involves an outsourcer who has call centre locations around native country for redundancy

- For cost effectiveness, the call centre professionals usually take calls for two or three clients whose data is ported to the desktop via a secure connection from the client's database into the outsourcer's server.
- Clients are sometimes given the option of co-locating some in-house customer service agents at the call centre to work in conjunction with outsourcers' agents. The advantages of domestic call centers include relative physical proximity between outsourcer and client, the ability to co-locate and on-site troubleshooting. The domestic call centers on the other hand, involve higher cost and usually a non-dedicated staff. These call centers specialize in providing both inbound and outbound services.

- PTCL is responsible for providing connectivity for establishment of call centers in Pakistan in the form of bandwidth and one-way PRI depending upon type of call centre. Establishing an International Call Centre is easy and hassle-free.
- Access to such a set-up is facilitated by 0800 Toll-Free Service, wherein customers' calls are routed to a call centre where trained agents respond to the inquiries of the customers. Both the services, however, involves certain human resource requisites like communication skills and customer handling to be arranged by the subscribers.

Locations to Build the Call Centers

The Software Technology Parks (STPs)ll have been conceived as a one-stop shop for all software houses which seek working conditions conducive to creativity, inexhaustible bandwidth and power supply, minimum regulatory overheads, maximum flexibility in the choice and use of space and minimal costs.

As far as license from PTCL (for VoIP) is concerned, PTCL has allowed the use of VoIP for call centres anywhere in Pakistan. Companies have the choice to build call centres either in the STPs or in any other location. While the advantages to open a call centre in one of the STPs include the following:

- Within STP there are no license requirements.
- STP is a ONE STOP SHOP for the company.
- Connectivity available as soon as the company moves into the STP.
- Power back-up available.
- Air-conditioned work place.
- Network backup in process. Assistance in any problem that arises

Categories of Call Centers by Size

Regarding size, there are 3 basic groups.

- The first involves businesses that employ 5 to 100 staff. Generally this group has increased pressures on reducing costs in order to stay competitive with larger companies and is continually looking for opportunities to cut operational costs.
- The second group involves companies that employ 100 or more individuals. This group includes Fortune 500 companies and government. Many of these companies currently operate in-house call centers, which may be located in offshore facilities in India, Ireland and Philippines.
- The third market segment represents the currently operating outsourcing call centers with limited capacity, but with a higher demand, creating the need to further outsource projects to other call centers. This is a lucrative market as it requires minimal marketing and can yield faster return on investment.

Connectivity for Call Centers

In Pakistan, the incumbent operator i.e., PTCL or any Licensed LL/LDI operator is responsible for providing connectivity for call centers in the form of bandwidth and one-way PRI depending upon type of call centre. PSEB has also established state of the art Data Network with Optical fiber backbone as primary and international VSAT as backup at Software Technology Parks to provide reliable and readily available IP connectivity.

PSEB also facilitates the companies willing to shift the PRE/EIs on optical fiber from the copper. Following are the major advantages of this facility:

- Improvement in the quality of services
- Noise Free
- Improvement of the signal strength
- Marketing edge of optical fiber
- Money Saving (No need of using a pair of HDSL modems)

Economics of the Call Center Business in Pakistan

It is pertinent to note that the cost of running a call centre in Pakistan is among the lowest in the region. Detailed strengths and weaknesses of setting up and running an IT based business in Pakistan can be referred to in Section-4. Establishing a call centre in Pakistan is a feasible proposition after taking into account the relevant parameters such as global competition and skill availability in the local market.

Conclusion

In this research paper, Business Process Outsourcing and Call Centre Industry of Pakistan have been analyzed. We started with the analysis by considering the BPO and its global scenarios. The sources which could be outsourced in BPO were considered and then analyzed in terms of the Call centre industry basics. We considered the initialization of a call centre industry in Pakistan specifically and categorized the industry in to global market perspective and domestic perspective. Finally, we also classified the call centre industry by size by considering the elaborate connectivity of call centers and the economics of call centre industry in Pakistan.

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