

Rural BPO's: An Indian Perspective

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Comment by the Faculty

The study makes an attempt to understand the rural BPO's from an Indian perspective. The concept of BPO in the rural market is a recent phenomenon. Various studies indicate that BPO's are spreading across the rural market which gives the companies the cost advantage and also acts as a corporate social responsibility activity.

The big challenge faced by these companies is the access to trained human resources. Majority of the rural population is illiterate and has no exposure to formal education leading to the question of employability. But the positive side of the current rural generation is that it has access to information urban aspirations and is hungry to capitalize on opportunities to unshackle from the old rural dynamics to move forward in life.

The study indicates that the training in rural areas is time consuming & less effective, as it may not be possible to outsource high & medium skilled jobs like voice based process, content generation, translation, social media monitoring, etc., to rural India. Instead the companies can outsource from rural BPO's the processes, like digitization services, data entry and transaction processing i.e., all processes that are repeatable and that which can be duplicated.

One of the issues with the rural BPO's is the diseconomies of scale as the rural BPO's centre cannot increase the capacity above fifty, even though they enjoy lower operating costs. To overcome the problem the study suggest a hub and spoke model i.e., the hub at Bangalore and the spokes are the rural BPO centres. With this hub and spoke concept the BPO can be scaled effectively with a bigger installed capacity by distributing the seat capacity in different centres of rural BPO's and assimilating the work to all these centres. This concept will benefit the rural India as it would take the jobs to the people rather than people to jobs.

The present study is highly relevant because almost 68% of the India's population is in rural India. The concept of market expansion gives the companies tremendous opportunities for growth and cost advantages in managing their businesses. It is a win-win situation as the rural population will benefit with new set of skills and job opportunities and for the companies it gives an opportunity to take the corporate social responsibility activity forward leading to inclusive growth.

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Introduction

The Indian BPO industry employs around 2.8 million people, and generates annual revenues of around \$11 Billion. The rural BPO phenomenon in India started about five years ago. Since then outsourcing to rural BPOs or villages has been a catchy concept with entrepreneurs setting-up rural BPOs, large Indian corporations starting their BPOs in villages as a corporate social responsibility (CSR) activity or tying-up with local NGOs to promote BPOs in rural villages.

According to NASSCOM estimates, there are around 50 odd rural BPOs in India spread across the nation employing about 5,000 rural youth and these numbers are growing. Rural India offers a very cost-effective solution to urban India's BPO challenges of increasing labour costs, high attrition rates, employee ambition and growth prospect issues, etc.

About the Company

Head Held High is a social enterprise. Head Held High promotes other for-profit organizations that can be sustainable enterprises and be scaled up in order to make a large scale impact. Currently, there are two organizations promoted by Head Held High - Magic Wand Empowerment Pvt. Ltd, the RubanShakti platform and Village BPO Pvt. Ltd, the Rubansource platform

Magic Wand Empowerment Pvt. Ltd. works on empowering the most vulnerable people and communities through breakthrough training programs, and enabling them by providing them a sustainable livelihood.

Village BPO Pvt. Ltd. works on getting work outsourced and undertaken by the talented, trained rural youth.

Objective of the study

Head Held High is a social venture dedicated to improving rural India, it primarily operates on two models, training the rural youth in soft skills and providing jobs to them. The rural India can be impacted only if the youth are educated and provided with job opportunities. Rubans (Rural-Urbans) the new rural youth are capable of such transformation of the rural India, providing economic empowerment to these rubans will improve the rural economy. Thus the objective of the study would be.

- To understand the current rural BPO Processes in Head Held High.
- To understand the market scenario in the rural BPO industry.
- To scale the rural BPO processes to achieve maximum efficiency.

Methodology

The study involved collection of data, both primary and secondary. Primary data was collected from professionals in the company, employees, and partnering organisations. Secondary data collection include from published reports, and various websites.

Rubans: The “Rural-Urbans”

A new breed of rural population with urban levels of access to information, hungry talent looking for opportunities and global aspirations, who are morphing rapidly from the traditional definitions of rural, desirous of unshackling themselves from old societal dynamics, with aspirations and boundaries, believing in and looking for opportunities and growth.

The DNA of Rubans

- Information Access: Mobile & Internet penetration resulting in access to information at their fingertips.
- Raw Talent: Hungry, raw talent requires the right education & skill development platforms & opportunities to be created for them to be employable like their urban counterparts.
- Entrepreneurship spirit: Exploration of non- traditional and non- family businesses/ employment by the next generation.
- Global Aspirations: Increased aspirations and increased mobility and therefore increase in consumer goods/ packaged goods consumption.

Rubanomics: “Ruban-economics”

The structure of unleashing the power of talent, entrepreneurial spirit, aspirations and information technology to drive economic growth in the rural sector.

The genesis of Rubanomics encompasses three powerful concepts:

BOP: Bottom of the Pyramid by Dr. C. K. Prahlad

The fortune is at the bottom of the pyramid which in economics is the largest, but poorest socio-economic group.

In global terms, this is the 4 billion people who live on less than US\$2.50 per day

The phrase “bottom of the pyramid” is used in particular by people developing new models of doing business that deliberately target that demographic, often using new technology.

PURA: Providing Urban Amenities to Rural Areas by Dr A P J Abdul Kalam

PURA proposes that urban infrastructure and services be provided in rural hubs to create economic opportunities outside of cities.

Physical connectivity by providing roads, electronic connectivity by providing communication network, and knowledge connectivity by establishing professional and technical institutions will have to be done in an integrated way so that economic connectivity will emanate.

Rubanization: by Prof. Tray

A belief that the continued consideration of the rural and the urban as two distinct realms is unsustainable in terms of social justice, cultural justice and environmental justice.

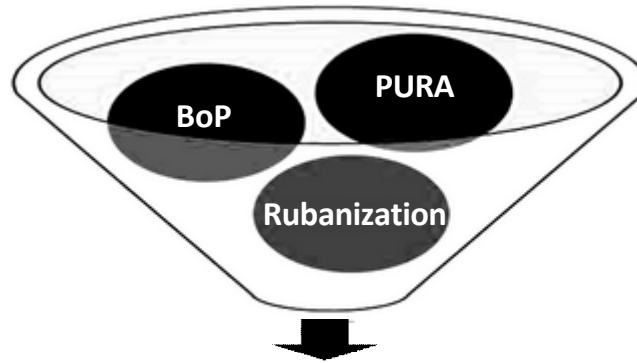


Figure 1 : Rurbanomics

Need for Rural BPO

The BPO industry in India attracts a substantial amount of rural talent every year. This leads to congestion of urban markets and void in a rural market. To improve the rural economy it would be better to take the jobs to the people rather than people to the jobs.

The concentration of the off shore industries in India is primarily in the cities like Bangalore, Hyderabad, Chennai, Pune, Gurgaon, Kolkata, Mysore etc. The major players in the offshore services space are operating mostly from these cities, due to the available infrastructures, affluence skilled resources etc. But this scenario is going to change shortly. The industry is going to confront a potential shortage of skilled workers in the next few years or so, particularly in the offshore industry. Currently only about 25% of technical graduates and 10% - 15% of general college graduates are suitable for employment in the offshore industries respectively. Moreover, the infrastructures available in those cities are insufficient to scale up with the rapid pace at which this offshore service industry is booming. Cities are at a breaking point, and further growth will have to come from entirely new business districts outside of Tier I and Tier II cities, and gradually to Villages.

Delivery Model

The rural delivery model is a network of micro-centres strategically selected across rural and semi-urban locations. Each centre will professionally run with a 25-50 seat facility working in 2 shifts to provide back-end services to global clients. Locations of the micro-centres are identified in those territories with a population in the range of 10 to 100 thousand. The workforce manning these centres is built up by training the educated but under employed. The benefits of this model include:

- Creation of computer based/ knowledge related jobs in communities where there are no similar jobs.
- Lower attrition rates for the industry, as people are less inclined to leave their jobs given the improved quality of life and option of staying with their families.

- Lower costs for clients as overheads at these centres are far cheaper as compared to the urban counterparts.

Issues in Rural BPO

Like any other BPO a Rural BPO also has its own challenges that need to be well thought of before venturing into the rural sector

The two main things which need to be taken into consideration while starting a BPO are:

- Human Resource Capability
- Strong Business Development Capability

Human Resource Capability

Human Resource is of most importance in the service sector. Though 65% of India's population is below the age of 35 and considering the fact that about 68% lives in rural India, the dearth in talent pool doesn't seem to support the argument. But a deeper thinking unearths another question: How many of these people are really employable and in what sectors can they be employed. Unlike Urban India where access to training facilities is available, the Rural India doesn't have access to the same. So the challenge faced by rural BPO is access to trained Human Resource, or train the people to make them employable.

Now, this leads to another question how to gauge employability, since employability can be relative in terms of the rural urban construct. Considering the fact that majority of the rural population is illiterate has no exposure to formal education. Training the people to make them employable depends on the factors like, how much training should they undergo, what is their level of education, what level of training should be imparted. Later identifying the kind of processes that needs to be outsourced to the rural India, depending on the trained human resource.

| Low skill Jobs (LSJ) | Medium Skill Jobs (MSJ) | High Skill Jobs (HSJ) |
|---------------------------|----------------------------------|---------------------------|
| Digitalization/Data Entry | Transcription | Content Generation |
| Transaction Processing | Translation | Social Media Monitoring |
| | Email Support /Live Chat support | Secondary Research |
| | Vernacular Call Centre | Local English Call Centre |

Strong Business Development Capability

Any business needs a strong BD team, and to achieve scale in the rural environment is essential for the sustenance of the rural BPO. In the tier 2 and 3 cities by concentrating on the SME's the BPO's may able to generate revenue. But the revenue and the operations

may not be sustainable; the only measure the BPO's have to take is to attract larger clients from cities.

Apart from the issues mentioned above there are other issues which plague the sector.

- Lack of skilled manpower
- Diseconomies of scale increases fixed costs for smaller centres
- Extensive training is required
- Lack of standardization in the sector

Scalability of Operations

The current operations of Rubansource are being run only in Hindupur, Andhra Pradesh, which is ably supported by the Rubanshakthi training program at the same centre. In order to scale the operations, the number of clients has to be increased. There has to be an additional infrastructure development to cater to the needs of the operations.

Secondary Data Collection of Other Operators

When operating in the rural scenario, diseconomies of scale is bound to be there as illustrated earlier and after studying the other operators in the rural BPO sector, it was found that it is not suitable to run a BPO centre in the rural sector with not more than 40-50 capacity. Since there would be no manpower available to run an extensive centre, most rural BPO players do not scale the operations above 50. The rural BPO centres do not enjoy the economies of scale as in the case of the urban counterparts, though the operating costs are very low compared to the urban, without scale it is impossible to achieve efficiency and profits.

Road Ahead

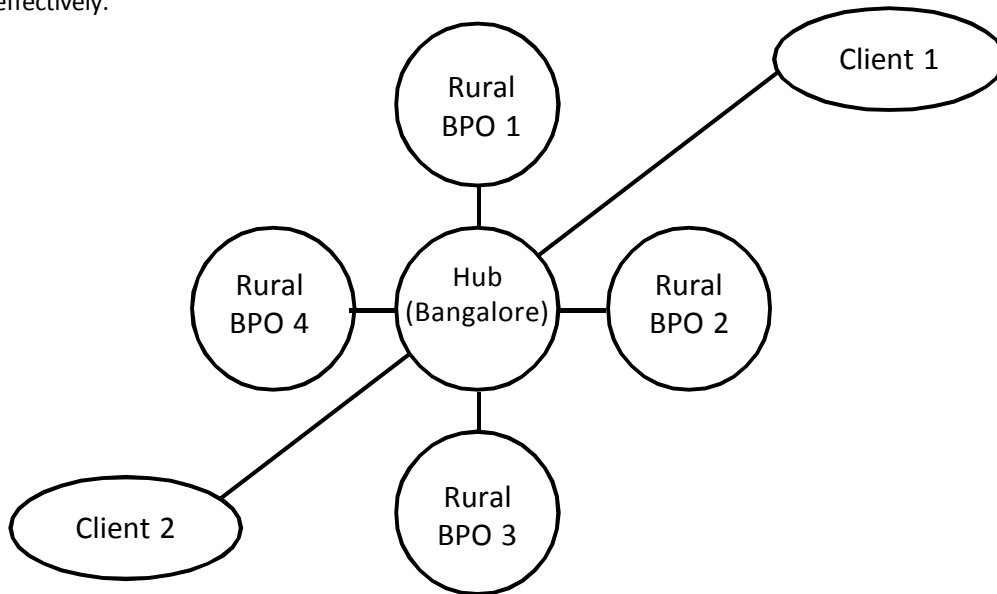
To overcome this difficulty the only road ahead is to operate on the hub and spoke model. The hub in Bangalore would act as the centre place where all the operations would assimilate and act as a single point of contact to the clients.

Now in the hub and spoke model the hub which is an office based out of Bangalore, would also be the business development centre, which will aim at getting more clients and processes.

The spokes are the rural BPO centres based in the rural area like Hindupur, Gadag and Koppal etc. The centres will be with a capacity of not more than 40-50, since it would not be profitable to run the centre with more than the specified number.

When clients approach the BPO centre they do not see the rural BPO centre with a capacity of 50 seats but a distributed BPO centre with an installed capacity of 200 seats (50/each BPO *4). This will help achieve bigger clients and bigger processes, which would not have been possible by a smaller rural BPO. Thus the hub would be primarily distributing the work across the spokes i.e. the different rural BPO's and then assimilate the work and submit it as a single execution of work to the clients.

Once this is set in motion different hubs can be created with new spokes by setting up of rural BPO's across India. Depending on the size of the clients order different hubs can be combined to form a larger hub with as many rural BPO's under its ambit, and the work order can be scaled effectively.



Recommendations

The objective of Rubansource is to provide employment in the rural sector, since most of the rural population needs to be trained to be employed for the BPO operations, training would incur a huge cost, basic level of training would make them employable in the low skilled jobs of the BPO sector.

If the training is catered to medium or high skilled jobs attrition levels may rise and people may opt to the BPO centres operated in the city.

Decongestion of the Urban BPO market is possible by shifting the operations to the rural market, since training of employees to operate high skilled jobs would be tough in the rural sector, the rural BPO market would primarily operate on the low skilled jobs. Therefore the focus of Rubansource should be on procuring more low skilled jobs rather than medium or high skilled jobs.

Data fidelity is the need of the hour in this competitive world, the ISO 27001 security standards ensure that the practices in transferring of data, day to day handling of data and other assets conform to the highest security standards.

This acts as an added benefit while accepting customers work orders, since the customer can be sure that the organisation to which they have outsourced their work conforms to the highest security standards. In the hub and spoke model there would be a lot of data transferred over the

information management system. The information management system has to conform to the ISO 27001 standards.

Conclusion

With the challenges that urban BPOs are facing in terms of growing global competition, escalating costs and high attrition levels, companies can have a serious look at what rural BPOs have to offer. High end work still can continue with the tier I cities, and high volume, low-end work can be certainly outsourced to rural BPO's.

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