

Business Process Outsourcing Of Service Industries In Calabarzon

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Abstract: Outsourcing of service is a relatively young and fast-growing industry. The Philippine government is focusing on the social environment requirements of business operations 24/7 and providing a continuous review of policies for ICT infrastructure. These issues prompted the researcher to study BPO industries using descriptive research. Descriptive method of research was used and based on the findings, majority works in call centers of multi-national industry that exists for less than five years of more than Php20 million capital and more than 1501 employees. The respondents agreed that career, training, community and organizational development of BPO is moderately evident. Moreover, there is no significant difference on the comparison of assessment of the respondents in BPO while the length of existence and business capital relate significantly in BPO of service industries. Lastly, the proposed input to Human Resource Development signifies a model of the cyclical pattern of legal issues, training and skills development, human resource maintenance and control, and strategic synergy.

Keywords: business process outsourcing, human resource development, strategic operations, service industries

1. Introduction

In the global economy, trade in services has been assuming a prominent niche. Several services that could beforehand be delivered only through commercial presence have now become deliverable by cross-border trade. There are many development and growth; the most essential is the development of information technology (IT) and communication technology networks. Further, opening of the market by many nations to allow the commercial existence of another nation in their respective economies have helped bring foreign direct investment into the service sectors. One of which is the outsourcing segment or Business Process Outsourcing (BPO). Accordingly the union of BPO industry, local government and state colleges and university has instigated selected projects to address pertinent issues in Human Resource Development. These include university courses focused on business process outsourcing operations, English proficiency, computer literacy, and government certification of vocational courses. In addition, the government addresses the social environment requirements of 24/7 business operations, such as public safety and transport, and provides an ongoing review of ICT infrastructure policies. Lately, more than 40,000 workers have lost their jobs in the country since the onset of the global financial crisis in October last year, more than half of the 40,191 workers laid off came from the CALABARZON region, where economic zones hosting companies engaged in manufacturing and export are located. The export industry in the eco-zones is the hardest hit because of the slump in demand. Other large groups of dismissed workers are those from the clothing and furniture industries, and another 200,000 workers could lose their jobs in the first six months of the year. As the global recession deepens, millions of workers lose their jobs in developing and developed countries [1]. Services outsourcing is still relatively on its baby steps but relatively growing fast. Many of the largest multinationals, such as Accenture, Citibank, Convergys, Dell and HSBC, have already made major investments and plan to expand their presence further [2]. Global outsourcing of services is creating considerable opportunities for

development in poor, low-wage countries, through export possibilities and through access to cheaper service inputs that raise productivity when used in another sector [3]. Many those employed because of global sourcing are women, offering a different route to development that those based on the growth of agriculture and manufacturing [4]. Human resources and capital are the main constraints facing the expansion of the Philippine outsourcing industry. Animation is likewise an area with increasing competition from various countries, and with animation being a cultural product, it may be difficult to increase the value added in the industry. Similarly, in call center work, while there may be an advantage to countries that speak English, there may not be much value added to be provided beyond the basic customer services needed [5]. Despite other indispensable factors, technological and non - technological innovations have been successfully used to explain the excellent upswing of services. This builds the main conjecture, that is, ICT, as the leading economic driver in the present era and one of the key factors for the rise of the service industries. [6]. According to DTI, government support for the outsourcing of business processes is obvious. One of the main goals of ITTEC is to develop the country as a hub for electronic services [7]. In a typical outsourcing arrangement, a company (the customer) hires a call center specialist (the supplier) to provide enough technology and staff to serve the customer's customers [8]. Accordingly, in the country there are problems that the country needs to address to be more competitive and help push the business process outsourcing sector toward sustained high growth [9]. Based on cross-country comparisons, the most serious constraints are high electricity costs and weak governance. Industry analysts also highlight other human capital issues such as low recruitment rates, high turnaround rates and weaknesses in broad IT skills and English skills [10]. Call centers, which were previously seen as little more than lower cost channels for solving customer problems, are rapidly becoming a powerful way of delivering services with a potential for significant revenue generation. Kaiser also emphasizes the need for hospitals to restructure their operations, and the cost of outsourcing business

processes in the form of insurance claims and bill processing has increased demand. For the US alone, this offshore transcription industry is estimated at US\$ 17 billion [11]. An organization and a country must therefore also focus on human resource development (HRD). According to Zielenbach, organizations were now being asked to track or quantify the benefits being produced for lower income individuals and neighborhoods [12]. This led the top management to look for the best ways to define and measure the impact of the organization's efforts to look at various environmental changes. And after start-up costs are absorbed, the work should be delivered cheaper, sometimes much more [13]. Certainly, some outsourcing contracts for business processes are still justified in the labor arbitration model. But in many cases this advantage has shrunk and is well below the trumpeted 50-60% or even more of the first IT outsourcing [14]. The causes of the shift to services and the consequences of the process for growth, employment and competitiveness of its workforce [15]. Therefore, the proposed bilateral economic agreements between Japan and the Philippines have a broad scope for the development of human resources. Sako and Tierney's additional study discussed the theory and evidence behind the logic of outsourcing business processes, with a strong emphasis on outsourcing of human resources. The implication for career development from the individual point of view is the fact that employees will need more than technical skills to do a job [16]. Furthermore, employees need managerial, coordination, leadership skills, and emotional make-up, self-reliant, responsible, and self-monitoring. With these issues in mind, the author decided to study business process outsourcing of service industries in CALABARZON. The ample understanding and background of the researcher in the business provides valuable contribution in analyzing business process outsourcing. Thus, the features and business process outsourcing of service industries are evaluated as input to Human Resource Development. Likewise, the problems experienced by the respondents are also given enough emphasis and place an acclaim in the output of the study. Finally, an input Human Resource Development is designed to strengthen business process outsourcing.

2. Objectives of the Study

The purpose of this study is to evaluate business process outsourcing of service industries in CALABARZON as input to Human Resource Development and aims:

1. To describe the features of service industries in terms of nature of business, length of business existence, business capital, size of business, and number of employees.
3. To assess business process outsourcing of service industries for career development, training and development, community development, and organizational development.
4. To compare the assessment of respondents to the features of business process outsourcing of service industries.
5. To determine the relationship between features of service industries and business process outsourcing.
6. To identify the problems encountered by the respondents in business process outsourcing.
7. To propose an input to Human Resource Development for service industries.

3 Methodology

The study used the descriptive method in assessing the business process outsourcing of service industries in CALABARZON. In this regard, documentary analysis was used to interpret the information obtained from top management and employees. A survey questionnaire was used in gathering empirical data about the features, factors and identified problems of business process outsourcing. Frequencies, rank and percentage was used to describe the features of service industries in terms of nature of business, length of existence, business capital, size of business and frequency of employees. Means was used to assess business process outsourcing of service industries in terms of career development, training and development, community development and organizational development. Chi-square test of independence was utilized to correlate the differences and relationship between the feature and business process outsourcing in service industries. Lastly, rank and summation of ranks was used to determine the identified problems of the respondents in business process outsourcing.

4. Results and Discussions

4.1 Features of Service Industries

Nature of Business. There were 50 percent working in call centers, 32.50 percent in back offices, 15 percent in medical transcription and 2.50 percent in software/animation industry.

Length of Existence. Forty percent indicated that business process outsourcing exists for five years and below, 30 percent for the six to ten years, 15 percent each indicated that it existed for 11 to 15 years, and 16 years and above.

Business Capital. Seventy five percent of the respondents revealed that the business process outsourcing service industry had more than 20 million pesos capital, 15 percent of them indicated Php 10 million to Php 19,999,999 capital, 7.5 percent of the respondents believed the service industry had Php 1,000,000 to Php 9,999,999 and 2.5 percent disclosed that the industry had less than Php 1,000,000 capital.

Size of the Business. There were 75 percent which indicated that they were employed in multinational enterprise, 15 percent in large enterprise, 7.5 percent worked medium enterprise industry, and 2.5 percent were employed in small enterprise.

Number of employees. Sixty five percent of the clients/employees indicated that the business process outsourcing service industry had 1,501 and above employees, 20 percent of them indicated that the service industry had 1,001 to 1,500 clients/employees, ten percent of the respondents noted that the enterprise had 501 to 1,000 clients/employees and five percent of them disclosed that the two-industry had 500 and less employees.

4.2 Assessment of Business Process Outsourcing of Service Industries

Career Development. Both the top management and employees assessed that it was very evident that the result of the performance is used as one of the basis of promotion. This got a mean of 3.72 and 3.50, respectively.

Training and Development. The top management assessed that it was very evident that training and development programs provide clear criteria for trainees with a mean of 3.52, while rated moderately evident by clients with a mean of 3.23. The employees indicated that it was very evident that the service industry gave scholarship opportunities to qualified personnel hoping to pursue higher education with mean of 3.51 and the top management rated it to be moderately evident with a mean of 3.27.

Community Development. The top management assessed that it was very evident that the company has a feedback system that ensures guarantee, guarantee and corrective action for the service provided with a weighted mean of 3.59, while the employees rated it as moderately mean of 3.16. Assessed to be very evident by the employees was the enough information given to choose wisely among the competing services and eco-efficiency and environmental accounting were followed by service industries with means were 3.68. With the same items, the top management said that it was moderately evident with means of 3.25.

Organizational Development. The employees assessed that it was very evident that business process outsourcing service industry presented accessible information and identify efficient system for the organizations knowledge and innovation. It obtained or mean of 3.51. The top management rated it as moderately evident with a mean of 3.09.

Table 1: Assessment on Business Process Outsourcing of Service Industries

| Indicators | Composite Mean | Verbal Interpretation | Rank |
|----------------------------|----------------|-----------------------|------|
| Career Development | 3.30 | Moderately Evident | 1 |
| Training and Development | 3.11 | Moderately Evident | 4 |
| Community Development | 1.18 | Moderately Evident | 3 |
| Organizational Development | 3.21 | Moderately Evident | 2 |
| Average Composite Mean | 3.20 | Moderately Evident | |

From the table, career development ranked first with a composite mean of 3.30 and interpreted as moderately evident from the assessments of business process outsourcing. This can be an indication that the service industries were concern on hiring and training people. The respondents observed that the management should delivered career information more effectively to motivate employees. This finding was in line with Isaac and Brown's statement that in the emergence of global economy, the management was concerned in finding ways to deliver career information more effectively and govern professional practice in order to use the tools and techniques that have been developed [15]. Second in rank pertained to organizational development with a composite mean of 3.21 interpreted as moderately evident. This indicated that the top management and employees had observed that organizational development in service industries included interpersonal needs. This conformed to Ehrlich's statement that organizational development in country addressed individual and interpersonal needs [16]. In

many big corporations, organizational development was utilized as a managerial tool with objective of increasing the effectiveness of managerial action. Whilst community development was moderately evident and ranked third with a composite mean of 3.18. Abraham stated that service industries were also concerned about community investments that could yield a positive return. Lastly, with mean of 3.11, this finding conformed to Sako's statements that training helps in making better decisions and effective problem solving. The average composite average of 3.20 shows that the service industries glanced at the practice of outsourcing business processes as moderately evident. It appeared that the respondents observed that the service industries were concern for the employees' morale, professional growth, well-maintained or improved competitiveness, social equity, well-adjusted individual services, and developed human resources.

4.3 Comparison of Assessments on BPO of Service Industries

Table 2 showed a comparison of the evaluation of top management and employees in the service industries of business processes outsourcing. It can be seen in the table that the assessment of the top management and employees did not differ in their ratings regarding career, training, community and organizational development. The obtained computed t-values ranging from 0.30 to 1.778 are less than the critical t-value of 1.96 at 0.05 level of confidence at 198 degree of freedom and accepts the hypothesis.

Table 2. Comparison of Assessments by Top Management and Employee as to Business Process Outsourcing of Service Industries

| Indicators | t_c | Decision Ho | Interpretation |
|----------------------------|-------|------------------|-----------------|
| Career Development | 0.300 | Failed to Reject | Not Significant |
| Training and Development | 1.778 | Failed to Reject | Not Significant |
| Community Development | 1.100 | Failed to Reject | Not Significant |
| Organizational Development | 1.167 | Failed to Reject | Not Significant |

$$df = 198 \quad \alpha = 0.05 \quad t_i = 1.96$$

Form the findings, respondents believed that the result of the performance was used as one of the basis for promotion. The service industries recommended continues sourcing-out of foreign training, seminars, conferences and scholarship.

4.4 Relationship between Features of Service Industries and Business Process Outsourcing

As manifested in Table 3, length of existence showed significant relationship to career, training, community and organizational development obtaining a computed chi-square values ranging from 21.118 to 32.193 which were greater than the critical chi-square value of 16.92 at 0.05 level of significance and nine degrees of freedom. It appeared that such feature influenced the management of business process outsourcing in the professional development of employees.

Table 3: Relationship between Length of Business Existence and Business Process Outsourcing

| Variables | χ^2_c | Decision Ho | Interpretation |
|----------------------------|------------|-------------|----------------|
| Career Development | 32.193 | Reject | Significant |
| Training and Development | 21.118 | Reject | Significant |
| Community Development | 24.417 | Reject | Significant |
| Organizational Development | 21.341 | Reject | Significant |

$$df = 9 \quad \alpha = 0.05 \quad \chi^2_i = 16.92$$

Business capital showed significant relationship to career, training, community and organizational development obtaining a computed chi-square values of 17.408 to 21.079 which were greater than the critical chi-square value of 16.92 at 0.05 level of significance and nine degrees of freedom and rejection of null hypothesis. This finding indicated that business capital can affect or influence the different professional development of employees in business process outsourcing industry.

Table 4: Relationship between Business Capital and Business Process Outsourcing

| Variables | χ^2_c | Decision Ho | Interpretation |
|----------------------------|------------|-------------|----------------|
| Career Development | 17.408 | Reject | Significant |
| Training and Development | 17.512 | Reject | Significant |
| Community Development | 21.079 | Reject | Significant |
| Organizational Development | 18.907 | Reject | Significant |

$$df = 9 \quad \alpha = 0.05 \quad \chi^2_i = 16.92$$

However, the nature of business showed significant relationships to training, community and organizational development obtaining a computed chi-square values of 18.802 to 27.391 which are greater than the critical chi-square value of 16.92 and rejection is evident to the null hypothesis.

Table 5: Relationship between Nature of Business and Business Process Outsourcing

| Variables | χ^2_c | Decision Ho | Interpretation |
|----------------------------|------------|------------------|-----------------|
| Career Development | 7.702 | Failed to Reject | Not Significant |
| Training and Development | 18.802 | Reject | Significant |
| Community Development | 27.391 | Reject | Significant |
| Organizational Development | 19.816 | Reject | Significant |

$$df = 9 \quad \alpha = 0.05 \quad \chi^2_i = 16.92$$

Consequently, an employee who was employed in a call center may be exposed to more training and development than those working on back offices. Nature of business did not show a significant relationship to career development with a computed chi-square value of 7.702. This is lower than the critical value of 16.92 at a level of 0.05. This means that the career development of such employees has not been affected by these features.

Table 6: Relationship between Number of Employees and Business Process Outsourcing

| Variables | χ^2_c | Decision Ho | Interpretation |
|----------------------------|------------|------------------|-----------------|
| Career Development | 21.985 | Reject | Significant |
| Training and Development | 20.278 | Reject | Significant |
| Community Development | 11.589 | Failed to Reject | Not Significant |
| Organizational Development | 23.358 | Reject | Significant |

$$df = 9 \quad \alpha = 0.05 \quad \chi^2_i = 16.92$$

On the other hand, the number of employees is significantly related to career development, training and development and organizational development and computed chi - square values ranging from 20.278 to 23.358, which are higher than the critical chi - square value of 16.92 at 0.05. Apparently, there will be more units or sections that can be created thus, more employees have more chances for promotion. Accordingly, large companies with many employees significantly support the development of business process outsourcing of service industries.

Table 7: Relationship between Size of Business and Business Process Outsourcing

| Variables | χ^2_c | Decision Ho | Interpretation |
|----------------------------|------------|------------------|-----------------|
| Career Development | 19.291 | Reject | Significant |
| Training and Development | 18.154 | Reject | Significant |
| Community Development | 10.618 | Failed to Reject | Not Significant |
| Organizational Development | 27.121 | Reject | Significant |

$$df = 9 \quad \alpha = 0.05 \quad \chi^2_i = 16.92$$

In another point of view, the size of the business has significant relationship to community development with a computed chi-square value of 10.618. From the findings, number of employees did not influence the feedback mechanism that ensures guarantee, warranty and remedial action to the service given.

4.5 Identified Problems in BPO

Table 8 presented the identified problems in BPO industry. As shown in the table, 10 problems were identified. The main problem was the loss of control over key areas, employment relations and employee management. Service industries were considered one of the fast-growing industry in the country and requires more full-time employees. This was cited by Schein that there were large numbers of employees in business process outsourcing of service industry especially in call centers [17].

Table 8: Identified Problems of the Respondents in Business Process Outsourcing

| Problems | Frequency | Rank |
|---------------------------------|-----------|------|
| 1. Exposure | 573 | 8 |
| 2. Public opinion | 570 | 7 |
| 3. Company value | 556 | 5 |
| 4. Co-ordination costs | 591 | 10 |
| 5. Quality and service issues | 448 | 3 |
| 6. Control | 342 | 1 |
| 7. Occupational Health & Safety | 560 | 6 |
| 8. Employee commitment | 485 | 4 |
| 9. Training and skills | 371 | 2 |
| 10. Legal issues | 576 | 9 |

Ranked second among the identified problems pertained to skills training. The respondents noted that the organization lacks policy on skills training resulted to the inappropriate skills, inadequate corporate memory and weakened innovative capacity. Quality and service issues were another problem identified by the respondents and ranked third in the rank order distribution. This pertained to the incentive given by service providers to renew inequality, especially where quality and difficulty were verified. This problem is in line with Gillespie statement that there was a lack of academic research on business process outsourcing quality [18]. Moreover, most findings and conclusions were obtained by the business process outsourcing of service industries players and advisors. Other problems indicated by the respondents were: employee commitment, company value, occupational health and safety, public opinion, exposure, legal issues and co-ordination cost.

4.6 Proposed Input to Human Resource Development

A well-defined business strategy is imperative for any organization to ensure that it directs all its efforts (capital, equipment/machinery and human capital) towards the achievement of a stated goal/result in HRD. Figure 1 presents the proposed input to HRD and constructed in a way that business strategy and human resource alignment is interlocked. Business strategy is the way of providing a range of services to the business including assessing, performance monitoring, resourcing/outourcing, and maintaining and supporting the organization's human capital towards the achievement of the stated goal. On the other hand, human resource alignment is imperative integrated to the efforts of the human capital and the HR function that can be measured in tangible terms which are in accordance to competency assessment, resourcing, outsourcing, performance management, HR maintenance and HR support. Assessment is essential to enable the identification and development of people with potential, to meet their career aspirations and to align their development. The output signifies a cyclical pattern of the legal issues, training and skills development, HR maintenance of control and strategic synergy of the organization that constitutes fundamental dynamics of the proposed input to HRD. The following components are essential to the effectiveness and efficiency of the proposed input.

I. Legal Issues

- Theorize and conceptualize the shifting employment relationship based on the nature of legal consequences.
- Justify the relationship between outsourcing and union presence at the workplace.

- Improve a consciousness of policy and decision-making.

II. Training and Skills Development

- Train and develop skills of every member of the organization.
- Upgrade the knowledge and skills of the employees through as part of their career development.
- Assure feedback mechanisms for the trainings attended for beneficial purposes.

III. HR Maintenance and Control

- Have the right skills in the right place at the right time in the right numbers of employees towards productivity and optimal operational performance.
- Staff employees in a situation that will provide the organization with a cost-effective and sustained staffing option.
- Keep HR program and administrative systems to meet the organization's contractual obligation to the people's overall satisfaction

IV. Strategic Synergy

- Develop an integrated model of group formation and development.
- Achieve a contemporary perspective on conflict and stimulating constructive resolution.
- Understand work stressors and stress prevention.

5 Conclusions

1. Most of the respondents are working in call centers with less than 5 years of operation, more than Php20 million in business capital, considered as large and multinational enterprise, and employed above 1,501 employees.
2. The top management and employees agreed that business process outsourcing of service industries is moderately evident.
3. The assessment of respondents does not differ on business process outsourcing.
4. Length of existence and business capital has significant relationship on business process outsourcing.
5. Control, training and skills, quality and service issues, employee commitment, company value, occupational safety and health, public opinion, exposure, legal issues, and co-ordination costs were problems in business process outsourcing of service industries.
6. A proposed input to Human Resource Development has been designed to strengthen business process outsourcing of service industry.

6 Recommendations

1. The proposed input to Human Resource Development be evaluated by practitioners in service industries with expertise in business process outsourcing before it can be implemented.
2. Give opportunity to employees to attend seminars, workshops and training to enable them to get abreast of new technology and to enhance their skills.
3. Similar studies on business process outsourcing involving manufacturing industries be conducted.

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