Opaque Indifference, Trust and Service Provider Success in Offshore Business Process Outsourcing

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Abstract

Business Process Outsourcing (BPO) is the delegation of one or more business processes to an external service provider (which may be an offshore captive centre or a third party). The focus of most BPO research has been the cost reductions delivered by third party providers of BPO services in offshore locations in India, Eastern Europe and elsewhere, and there has been little research on captive centres or the satisfaction of the end customer. This paper introduces the new concept of “opaque indifference” (where the end-user is indifferent to where or by whom the service is provided) and its association with customer satisfaction and BPO success. A model incorporating these concepts is introduced and investigated via four in-depth longitudinal case studies.

Keywords

Business Process Outsourcing, Offshoring, Trust, Opaque Indifference.

INTRODUCTION

In Business Process Outsourcing (BPO), a firm delegates one or more business processes to be managed and delivered by an external service provider (which may be an offshore subsidiary or “captive centre”) (Levina and Vaast 2008; Whitaker et al. 2011). The global scale of the BPO phenomenon is large and forecast to grow strongly. The global BPO market is estimated at $250 billion in 2010, with the Offshore BPO (OBPO) services component estimated at $38 billion, and in the same period OBPO delivered by service providers in India (both captives and third-party suppliers) is estimated at $15-16 billion (Dani et al. 2010; Nasscom 2009). Competition on the basis of superior customer service is increasing in industries that are at the forefront of offshore services outsourcing, such as banking and financial services, telecommunications, airlines, healthcare and logistics (Maddern et al. 2007).

A differentiating characteristic of BPO is the extent to which BPO service providers interact directly with the BPO clients’ customers and suppliers (Whitaker et al. 2011). BPO service provider personnel must interpret the needs of their clients’ customers and deliver effective customer service. In OBPO, the challenge of delivering effective customer service may increase due to geographical and time zone distance, and differences in culture, language or accent, and legal systems (Aubert et al. 2011; Whitaker et al. 2011).

It is therefore surprising that there appears to be little published research on the capabilities required to manage OBPO outcomes that enhance customer service outcomes. Research in OBPO has primarily been from the BPO client perspective, less frequently focussed on the BPO service provider and just occasionally on the dyadic relationship between BPO client and service provider. The authors have not been able to locate any published research in OBPO that focuses on the experience of an end customer of the BPO client.

In this paper, we aim to introduce the concept of “opaque indifference” which is OBPO delivered in a manner where the end customer is either unaware of or indifferent to the location of the service. It is important to the end customer in the OBPO environment and has a significant relationship with trust in the provider and the technology infrastructure. When the OBPO service is delivered by a captive this relationship may be closer than when delivered by a third party organisation where the control and trust may not be as strong. The overall research goal is to investigate the factors that support opaque indifference where the BPO is delivered by a captive centre.

This paper is organised as follows. First, the literature review addresses types of BPO engagement models, OBPO success, trust and risk, and opaque indifference. Second, a model is presented to help explain the relationship between these concepts. Third, the case studies are described and discussed. Finally, conclusions are drawn and suggestions for future work are presented.
Providing excellent customer service is recognised as a critical business requirement, but not necessarily a primary objective for OBPO where cost reduction has been a major business driver. Issues that impact end customer service and satisfaction in this environment include classification of BPO activities, types of BPO engagement models, definition of OBPO success and the role of trust in achieving that success.

Classification of Business Process Outsourcing Activities

It may be relatively easy to establish opaque indifference for back office transaction services (e.g. activation of a new credit card) where there is little customer contact and embedded knowledge is easily codified and transferred to the OBPO agent handling the transaction. However, it is more difficult to establish opaque indifference when there is a high degree of contact with customers requiring BPO agents to be empathetic and facile with respect to the end customers’ language and culture (Youngdahl and Ramaswamy 2007).

The literature on OBPO presents several classifications for the types of BPO activities. One form of BPO classification considers the extent to which business processes are core (i.e. key to firm success and strategic in nature), critical and non-critical (Ramachandran and Voleti 2004). Adopting the vendor’s perspective, Niranjan et al. (2007) propose a BPO taxonomy based on the dimensions of “criticality” and “complexity”. However, this approach tends to lead to protracted debate about the differences between core, critical and commodity processes (Aron and Singh 2005).

An alternative approach involves classifying BPO activities according to whether the task is unscripted and/or requires domain knowledge; for example Raman (2007) proposes a “ladder” classification of BPO activities which appears to be highly specific to business context. This paper argues that a BPO classification framework based on how much knowledge is embedded in the work and how much contact offshore service providers have with customers (Youngdahl and Ramaswamy 2007) offers superior insight into the BPO critical success factor of opaque indifference.

Types of BPO Engagement Models

Organisations seeking to engage in OBPO can select from a variety of ownership and business relationship structures (Ramachandran and Voleti 2004). Lacity et al. (2008) have identified nine commonly used engagement models that match type of work with supplier capabilities. Penter et al. (2009) identified four engagement models by controlling for the type of work, focusing on BPO of complex “knowledge services”. This paper will focus on the choice between a captive operation and an arms-length contracting model.

“Offshore captive centre” refers to a subsidiary company of the parent (host or client) company. Frequently, offshore captive centres are established in locations where there is an abundant supply of highly skilled and qualified professionals available at lower overall labour unit rates than in the client company’s country of origin (Levina and Vaast 2008). Captive operations are reported as accounting for about 60% of the overall BPO market in India, and for more than 70% of BPO classified as “knowledge services” (Bhargava and Bhatia 2005; Dani et al. 2009). This finding appears consistent with the observations of Lacity et al. (2008) that firms are much more likely to utilise a captive centre for OBPO than for ITO. This difference is attributed to greater maturity in the ITO market together with a client perception that BPO services may be more critical to organisational success.

The upfront decision on BPO engagement model is the most difficult in the entire offshore outsourcing process. The choice should be driven by the extent of control that a company wishes to retain over knowledge transfer and intellectual property, its degree of management commitment and upfront investment, and the extent to which competent vendors are available (Bhargava and Bhatia 2005).

Strategic OBPO performed through arms-length contracts involves inherent tensions and requires a difficult management balancing act. Rottman and Lacity (2006) analysed 21 large US companies and identified 15 management practices necessary for effectively offshoring IT work. While business benefits have been obtained from these arrangements, success requires an immense amount of hands-on management, which increases transaction costs and can erode overall savings.

Utilizing a captive model may eliminate some of the inherent tensions and management overheads associated with arms length contracting. In a captive model, internal contracting is simpler and less risky, capturing and leveraging knowledge gained in the offshore operation is easier and security and confidentiality concerns can be mitigated (Carmel and Agarwal 2002), thus supporting a more successful OBPO outcome.
OBPO Success

Despite two decades of ITO research, the definition of success remains under-theorised (Dibbern et al. 2004; Cullen et al. 2008) and success constructs are hard to find. However, two commonly adopted approaches to measuring ITO/BPO success are perceived satisfaction with ITO/BPO outcomes and the degree to which predefined objectives are realised (Winkler et al. 2009). Further, a useful proxy for perceived satisfaction is contract renewal, which has the advantage that it is easily measured and goes beyond subjective perceptions (Goles and Chin 2008). The significant growth in global BPO is presumably being driven by underlying business value and imperatives rather than mimetic or coercive influences.

The BPO success model in this case study research, outlined in Figure 1 below, utilises concepts for cost savings, technical services quality and strategic issues (Rouse 2007), and incorporates the dimensions of user satisfaction judged relative to expectations (Cullen et al. 2008). Technical Service Quality can be defined as “doing things right” (Maddern et al. 2007). It is also consistent with a 25-point conceptual framework for ITO success (Cullen et al. 2008), the high level parameters of which are defined as financial, operational and strategic.

ITO/BPO success must be assessed against each organisation’s own criteria for assessing the success of OBPO in the area of knowledge services. The limited research available supports the conclusion that success is specific to business context and has a temporal dimension (Cullen et al. 2008). In terms of each organisation’s criteria goals sought from BPO are likely to change over the duration of a contract or engagement.

Figure 1: Motivation of Organisations for Conducting OBPO

Trust in OBPO Success

Relationship quality is an important factor in offshore ITO/BPO success (Dibbern et al. 2004). Trust has been strongly linked with outsourcing success (Lee and Kim 1999) and identified as an important integrating factor in outsourcing relationship quality (Lee et al. 2008). Lee et al. (2008) present an integrative model of Trust in the context of outsourcing relationships, and introduce new concepts relating to Initial Trust, Initial Distrust, Mutual Trust and Knowledge Sharing as critical success factors in outsourcing.

One of the success factors for OBPO captive centres is that they establish higher levels of Initial Trust, provide a better platform for building Mutual Trust and hence facilitate earlier and more effective knowledge sharing. Over time an “arm’s length” BPO relationship could replicate these success factors, although development of Mutual Trust could take several years to develop. This is consistent with outcomes reported by Aubert et al. (2011) that a stable business relationship with a long history of past communication reduces “perceived distance”.

It has been observed that offshore services outsourcing can be categorised as an “experience” service, where judgements about service quality can only be made after consumption. This is in contrast to outsourced manufacturing where a quality assurance and inspection regime can monitor quality of products before acceptance and payment has taken place. In the OBPO market where there is an absence of a prior quality assurance regime, the information asymmetry between client and service provider actors can be addressed by
service providers issuing a quality signal in the OBPO market. OBPO suppliers can use third-party quality certification (such as Capability Maturity Model Integration Level 5) as a means of signalling adoption of rigorous practices that have been subject to independent audit. Indian BPO service providers have shown a strong propensity to seek CMMI certification. It can been argued that the emergence of key BPO “clusters” in India, such as Bangalore, Gurgaon, Hyderabad and Pune also reflects a form of quality signalling (Gao et al. 2010).

While CMMI certification enhances trust in OBPO, customer concerns about potential ethical differences (such as perceived corruption) can undermine trust. Corruption is the abuse of entrusted power for private gain (Transparency International 2008). Corruption has global consequences, being both a cause of poverty and a barrier to overcoming it (Singh and Ramamurti 2007). As India’s global ITO and BPO firms continue to grow, they may act as a broom, sweeping corruption from the economic sphere (Singh and Ramamurti 2007). While recent developments suggest grounds for optimism in the case of India, India’s ranking has actually declined in Transparency International’s 2010 Corruption Perceptions Index (Transparency International 2011).

According to Transparency International’s most recent Bribe Payers Index (Transparency International 2008), companies based in the significant OBPO countries of Brazil, Russia, India, the Philippines and China are perceived to routinely engage in bribery as part of international business. The Bribe Payers Survey which forms the basis of the Bribe Payers Index (Transparency International 2008), also found that information technology and banking and finance (a major source of OBPO) were among the “cleanest” sectors, hence the optimism that India’s ITO and BPO firms can play a constructive role in reducing or eliminating corruption.

This paper addresses a research gap identified by Aubert et al. (2011) who call for further research into “ethical distance” in offshore services outsourcing, referring to the impact of bribery and corruption in various offshore locations. We also aim to include the “perceived distance” construct (Aubert et al. 2011) in a model linking quality of relationship with outsourcing success. Corruption, both real and perceived, can destroy opaque indifference (see definitions below) to the location of OBPO service provision.

Opaque Indifference

The concept of “opaque indifference” in the context of Business Process Outsourcing can be considered as the supply of BPO services where:

- the location and ultimate provider of the service is not known to the consumer of the service (Location Unknown State);
- it would be difficult or impossible for the consumer to distinguish any characteristic that would identify the location of, or by whom, the service was supplied (Indistinguishable State); and
- the consumer is indifferent to location and ultimate provider of the service because the service meets their expectations in terms of efficiency, effectiveness, assumption of risk and price (Indifferent State).

The Location Unknown State describes a service that is provided remotely to the location of a consumer of that service. The consumer is neither able to see the service provider nor know where the service provider is.

The Indistinguishable State is where a consumer cannot distinguish between a service provided by an onshore service provider in its own right and the services provided by a third party BPO provider in an offshore location. This may be achieved by using neutral communication means which do not reveal, by way of accent or tone, any clues as to the source of the response. This is reflected in the popularity of online chat, and non-voice services which do not reveal accent with Indian BPO providers.

The Indifferent State is a function of the degree of trust held by the consumer and the risk to which the consumer believes they are exposed. Parallels can be found in the literature with respect to consumer acceptance of e-commerce where there is spatial and temporal separation between consumers and e-tailers (Pavlou 2003). Consumers are most likely to be indifferent when they have high trust that the service will be provided as expected and perceive the risk posed by consuming the service is low.

Extending the B2C e-commerce environment to an OBPO transaction environment provides some additional insights into transactional activity. In both environments there is spatial and temporal separation between the service provider and the consumer that generates uncertainty around the service or transaction, the perceived potential for financial loss and/or the loss of privacy. Research indicates that there are several antecedents to actual transactional activity taking place. These antecedents are trust and perceived risk which lead to uncertainty reduction, and perceptions of risk, usefulness and ease of use (Pavlou 2003). When the consumer perceives the usefulness of the transaction and the ease of use as outweighing any perception of risk, they
become indifferent to where and how the transaction is carried out. Pavlou’s research indicates that where trust and perceived trust is high and perceived usefulness is high with perceived risk low, then transactions will occur.

**The Relationship between Trust, Risk and Opaque Indifference**

The consumer of BPO services is most likely to consume when they become opaquely indifferent to the provision of the service or transaction. The factors influencing the creation of opaque indifference appear in Figure 2 below. The model may be used to inform organisations which factors (location unknown state, indistinguishable state, ease of use, usefulness of service/transaction, levels of trust perception of risk) may need to be taken into account in order to achieve opaque indifference. Further, opaque indifference may lead to OBPO success (in terms of end customer satisfaction).

![Figure 2 –Factors in the Creation of Opaque Indifference](image)

What happens when opaque indifference is not established in customer intensive OBPO? Major banking group Santander UK outsourced its call centre operations to Mphasis in 2003. In July 2011, Santander announced that it was closing all of its Indian call centres as part of a drive to improve customer service. Santander UK CEO Ana Botin noted that:

*Improving the service we offer is my top priority. Our customers tell us they prefer our call centres to be in the UK and not offshore. We have listened to the feedback and have acted by re-establishing our call centres back here.* [Treanor 2011]

A spokesperson said that feedback from customers was that they would prefer to deal with call centres in the UK where staff could understand them better as individuals and know where they are coming from. Clearly, many of Santander’s UK customers did not feel opaque indifference with the result that customer satisfaction was lower. Dealing with an offshore call centre was a frustration that could lead to customer dissatisfaction.

**RESEARCH APPROACH AND DATA COLLECTION**

The overall data set utilised in the research was gathered through interviews conducted over a period of four years (2006-2009) with staff and senior management of 6 client firms and 5 service providers, located across 8 cities in India, Australia and Europe. Data collection has involved approximately 350 hours of interviews utilising a semi-structured interview format. An interview protocol was employed that enabled interviewees to answer open-ended questions, expand on their responses and provide additional information. Interviews were recorded, transcribed and written up as a structured narrative (that included analysis of key insights from the interview) which was then fed back to the interviewee to verify accuracy of acts and interpretations. Multiple interviews were conducted with some individuals in order to clarify issues from earlier interviews, seek additional insights, and track progress on major issues. A longitudinal case study methodology (Yin 2003) was adopted because of its suitability for holistic, in-depth investigation of a phenomenon in which business context has been recognised as critically important. The research was implemented and conclusions drawn from the data utilising the approach outlined by Eisenhardt (1989). The researchers identified success factors from the case study data which provided the framework for building opaque indifference theory.

This research focused on opaque indifference utilises data gathered from the case studies involving the four companies in Table 1 below. The cases involved both client companies and their service provider (which is a
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Captive centre in some instances) in a range of industries, company sizes and engagement models. The business activities fit the definition of “Knowledge Services” (that is, processes with a variable discretionary element to their delivery that require the application of business judgement and domain knowledge).

Table 1 Summary of Case Details

<table>
<thead>
<tr>
<th>Client Company</th>
<th>Description</th>
<th>Industry Sector</th>
<th>OBPO Supplier</th>
<th>Nature of BPO activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telstra</td>
<td>Regional multinational</td>
<td>Telecommunications</td>
<td>Teletech, Teleperformance, Infosys Accenture</td>
<td>Customer service enquiries, product activation</td>
</tr>
<tr>
<td>ANZ</td>
<td>Regional multinational</td>
<td>Banking</td>
<td>Integrated captive</td>
<td>Accounts payable, mortgage processing, software support</td>
</tr>
<tr>
<td>British Airways</td>
<td>Global multinational</td>
<td>Airline</td>
<td>Captive initially, WNS</td>
<td>Passenger revenue accounting, Frequent Flier Services</td>
</tr>
<tr>
<td>Repcol</td>
<td>Australian Private</td>
<td>Financial services</td>
<td>Captive centre</td>
<td>Debt collection</td>
</tr>
</tbody>
</table>

FOUR CASE STUDIES

The four case studies show that OI is necessary for successful BPO and how each company is progressing opaque indifference.

ANZ Bank OTSS Captive in Bangalore

ANZ has owned a technology business now called ANZ Operations, Technology and Shared Services (OTSS) in Bangalore since 1989. Currently, ANZ employs around 3,500 people in its Bangalore captive operation, and the scope of OTSS is being steadily expanded to support ANZ’s regional growth ambitions now spanning 26 countries in the Asia Pacific Region. The BPO work performed by ANZ staff located in Bangalore falls into the category of Knowledge Services because it requires application of business judgement and also deep knowledge of the banking and finance domain.

ANZ regards OTSS not just as a captive ITES operation, but has set out to create “ANZ in Bangalore” an “integrated captive” meaning that OTSS Bangalore has fully assimilated the parent company culture. Staff members in Bangalore are given the same corporate and organisational development training as staff in the parent company, and HR and corporate policies and controls in Bangalore are the same as other parts of the ANZ Bank. In terms of maturation stages of offshore outsourcing, OTSS clearly fits the description of proactive strategic (Carmel and Agarwal 2002).

By adopting the model of an integrated captive where ANZ corporate culture is fully adopted, senior management is promoting opaque indifference. By delivering world’s best practice in banking operations to its customers, the Bank is demonstrating that location is not a relevant factor in sourcing global services. Selection of business activities for offshoring also contributes to opaque indifference. ANZ has a policy dating back to 2005 that call centres for Australian customers will remain in Australia. As former CEO John McFarlane noted

ANZ understands customers want to be able to talk to staff in Australia about their banking and financial services needs. As a result, we have a clear policy that all call centres for Australian customers will remain in Australia.

British Airways World Network Services Captive Operation

British Airways commenced OBPO in India in 1996 when it started World Network Services (WNS) Private Limited as a fully owned subsidiary with an initial investment of 1 million GBP. The first business process performed by WNS was passenger-revenue accounting. The decision to set up WNS as captive operation was to enable BA to exercise greater control, to ensure quality and to promote internal acceptance.

From inception, WNS gained a reputation for high quality staff and management and an excellent work environment and culture based on adhering to BA’s staff charter. BA also rotated long-serving BA managers through WNS in order to leverage knowledge in both directions and to improve collaboration effectiveness, thus promoting “opaque indifference” from a customer perspective.
Twelve months after inception, WNS had 350 staff and was delivering 40%-60% cost reductions. Additional processes in financial operations and the BA Executive Club were transferred to WNS, so that by 2002 there were over 1600 staff working a 24x7 operation. The development of WNS from 1996 illustrated that BA moved rapidly through stages 2-4 of the offshore maturation model (Carmel and Agarwal 2002).

With US and global private equity readily available, BA took the opportunity in April 2002 to sell down a majority stake in WNS to a private equity firm (Pincus Warburg). British Airways retained a 30% stake in WNS and continued as a major customer. Then on 26 July 2006, WNS began public trading on the New York Stock Exchange (NYSE), becoming the first “pure play” BPO company to list on the NYSE. Transitioning to a hybrid and then a divested captive began after 8 years as a pure captive, by which time collaborative practices were strongly embedded to such an extent that an ‘indistinguishable state’ had been achieved in both organisations and opaque indifference confirmed.

**Repcol’s Captive Operation in Bangalore**

Repcol provided debt collection and management services to Australian and international clients. The business drivers for Repcol’s offshore expansion were to address skill shortages facing the Australian business, to continue a phase of rapid growth and to lower transaction costs. Repcol’s initial approach was to conduct research into the capabilities of BPO suppliers in India before deciding to establish a captive operation in Bangalore. The captive option was selected because of the non-scripted nature of Repcol’s main business processes, the regulatory environment in which it operated (requiring strong corporate controls) and a concern about corruption.

Repcol sought to establish opaque indifference through adoption of the captive model so as to reduce the perception of risk and increase trust, through the quality and motivation of its staff and management team to reduce the distinguishing features of the Bangalore facility, and through detailed training provided to staff in the captive operation to promote ease of use for clients when serviced by well-trained staff. Repcol was at a state where location was not unknown to end customers (i.e. debtors) but they were indifferent to location because of subtle differences in the perceived power and status balances in the relationship (Levina et al, 2008)

Senior management leadership was also a key factor in establishing opaque indifference. The Australian CEO had a high degree of engagement with the offshore model, was immersed in key cultural factors and mastered the skills required to co-ordinate OBPO. All staff working in the Bangalore operation were degree qualified and some staff had higher degrees (e.g. MBAs). Considerable management attention was focused on managing (i.e. containing) the rate of staff attrition. Staff turnover in Repcol’s Bangalore operation was 32.5% in 2006 whereas some third-party operators were experiencing 60%-130% rates of staff attrition, while in Australia comparable operations experienced 25% staff attrition per annum.

Within 3 years of commencing the captive operation, Repcol had 400 staff in Bangalore operating on two shifts optimised to match business hours in Australian and North America. Between 2001 and 2006, OBPO enabled Repcol to grow revenue five-fold in a five-year period.

**Telstra: Offshore Contracting through 3rd Party Contracting**

Telstra has been a leader among large Australian companies in extensively outsourcing IT and BP services for more than 20 years (Fisher et al. 2007). Currently, Telstra’s spend on services outsourcing is estimated at more than $1 billion AUD per annum. The evolution of Telstra’s outsourcing strategy has been described as cautious and incremental (Fisher et al. 2007). Telstra’s services outsourcing portfolio is based around six global service providers; two are Indian-headquartered, one European and the others US-headquartered. Each has adopted a global delivery model, combining a local presence in Melbourne and/or Sydney, a large cadre of skilled professionals based in India or Philippines, and centres of excellence at various locations around the world.

After a lengthy period of mostly cautious incrementalism, Telstra has evolved its offshore services strategy to maturation stage 4 (Carmel and Agarwal 2002), and is now following a global multisourcing strategy for both ITO and BPO, with a proactive strategic focus. Telstra has maintained a strong cost reduction focus through its ITO/BPO strategy, but as a result of changing business priorities, is now placing increasing emphasis on service quality in OBPO that involves customer service.

For Telstra, business context changed significantly with the 2009 decision by CEO David Thodey to place greater emphasis on customer service. The emphasis in the customer-impacting OBPO model shifted from cost reduction to enhancing service quality which could be interpreted as providing service outcomes equivalent to Telstra’s Australian based service or achieving a state of opaque indifference so far as the customer is concerned in dealing with an OBPO. With hindsight, this may have been an appropriate point to revisit the engagement model for OBPO involving intense contact with customers because it has proven to be a difficult and slow process to re-orient offshore professionals engaged through third-party contracting.
Discussion of the Cases

Data gathered in the case studies appears to confirm that the captive model has advantages for OBPO that involves intense interaction with end customers. These cases also illustrate that success in OBPO must be assessed against each company’s own, different criteria, and that goals sought from outsourcing will change over time (Cullen et al. 2008; Oshri et al. 2008).

For British Airways and ANZ Bank, business context remained relatively stable. ANZ Bank operates within a strongly enforced prudential and regulatory environment, which re-inforced the advantages of a captive operation in delivering opaque indifference. During the decade from 1996, the BPO industry in India grew rapidly and matured; for British Airways, creation of WNS as a separate entity contributed to the growth of the supplier base and enabled the company to transition from a captive operation to an arms length contractual relationship while still maintaining opaque indifference in customer-intensive BPO. The investment that BA executives had made in promoting internal acceptance of the offshore captive centre and building confidence in its outputs greatly contributed to maintenance of opaque indifference after it had sold its ownership position.

In September 2006, following its NYSE listing, WNS advised investors that its travel services client base included 30 leading airlines and travel agencies, and it also announced a multi-year contract to provide BPO services for a major North American airline. In its journey from BA captive to one of the world’s leading independent BPO companies, WNS demonstrated that it had mastered the skills associated with delivering opaque indifference in customer-intensive BPO. For Telstra, the shift in business context with the launch of its company-wide program to improve customer services created a number of challenges for its OBPO conducted through an arms length contract. It took significant time and management effort to achieve a transition towards opaque indifference. Repsol achieved a high degree of opaque indifference through its offshore captive operation, albeit the power and status relationship in debt collection is different to most other forms of OBPO. The case data supports the view that offshore captive centres can be effective in gaining and maintaining trust and mitigating perceived cultural differences in customer-intensive OBPO.

CONCLUSIONS

Where OBPO involves customer service activities, our research has shown that it is important to manage offshore service providers to ensure that end customers exhibit opaque indifference to the location from which services are delivered. The majority of OBPO is derived from industries such as banking, financial services, insurance, telecommunications, airlines and retail that are placing emphasis on improving customer service. A contribution of this paper is to provide a model of how to approach OBPO without negative impact on perceived customer service.

The findings in this paper have practical implications for managers involved with designing and implementing OBPO strategies. Companies that wish to maintain a pure captive model should aim to increase collaboration efficiency with their captive centre in order to leverage the business and proprietary knowledge acquired by the captive to achieve the objective of opaque indifference from their end customers’ perspective.

The client companies with successful captive operations demonstrated the importance of promoting internal acceptance of the outputs from captive centres in order to break down barriers associated with cultural factors, status differences and geographical distance. By taking actions to promote internal acceptance, client company management were proactively reducing the “perceived distance” in the relationships with their offshore captive BPO centres and thus increasing likelihood of achieving opaque indifference.

Conceptual significance of this research arises from the introduction of a new concept, opaque indifference, and the apparent contradiction that the captive model for BPO appears to be the least researched, but continues to show strong growth (Dani et al. 2010). The research confirms that captive centres offer advantages for higher order OBPO classified as “knowledge services”. These advantages arise from higher levels of relationship quality, trust and collaboration, and from facilitating knowledge capture and transfer. These advantages support opaque indifference leading to greater BPO success.

A limitation of this research is that it is focused on companies that operate from Australia and United Kingdom, with either captive operations or service providers primarily located in India and the Philippines. While the case studies have enabled data to be collected on a range of industry sectors, company sizes and different OBPO engagement models to enable cross-case comparisons, the actual number of case studies is relatively few. In addition, it is based on qualitative data gathered over a relatively limited time span of just over 4 years. However, published case studies in OBPO are scarce, and the case studies are intended to add to the literature on this currently under-researched area.

The research has been assisted in various ways by Australian companies that have been active in OBPO to India. Similarly, Indian service providers (e.g. Infosys, WNS, Wipro) have been generous with executive access and
time. This has allowed a rich data set to be collected but may also introduce potential sources of bias. Also, the research is likely to have a bias towards success, as it has been easier to obtain access to senior executives and to corporate information in cases where there is general acknowledgement that the OBPO model has delivered business benefits. Companies are less willing to provide information and access to projects that are considered to be unsuccessful or experiencing difficulties. However, the concept of opaque indifference and the importance of captives in the BPO environment needs further investigation with cases of more captives, third party suppliers, and hybrid suppliers, in more countries (particularly non-English speaking).

REFERENCES


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