

ABSTRACT

A business model that has gained increasing prominence in the last decade is outsourcing of value chain activities. Interestingly, the rise of outsourcing has been accompanied by the rise of India as the “destination of choice” for firms that choose to outsource their activities. The growth of outsourcing industry in India has contributed to the economic growth of the country, and has generated significant employment opportunities in the Indian labour market. Given the highly competitive nature of the Indian outsourcing industry, different firms in the Indian business process outsourcing (BPO) industry, have reacted to the challenges to their sustainable growth in different ways. This has led to a wide variation in the performance and subsequent success of BPO firms. In such a scenario, a study that examined how different firms in the BPO industry managed their organizations and their environment, and paved their way to organizational success appeared to be an important area of enquiry.

This research originated from some basic questions: Why are some BPO firms more successful than others? What types of work designs, contexts and strategies tend to be associated with more successful organizations? Can BPO firms organize themselves in more than one way to succeed in a highly competitive business environment? Which strategies will translate into better performance for BPO firms? Does the nature of client relationship define the performance of BPO firms? What aspects of context could play a role in explaining organizational success? Do an infinite number of combinations of work design, strategic orientation, client relationship and context exist, or only a few?

These questions were condensed into two major research propositions: (a) It would be possible to identify configurations of BPO firms based on their work design, strategic orientation, client relationship and contextual factors. (b) Different configurations of BPO firms would vary in their performance across a variety of parameters. To investigate these propositions, data was collected from 60 BPO firms across 13 cities of India through survey and semi-structured interviews. Using principal components factor analysis, critical dimensions of work design, strategic orientation and client relationship were identified. These factors were used as input variables in a two-stage clustering process (Ward's minimum variance method and *K*-means analysis) to arrive at clusters of work design, strategic orientation and client relationship, in addition to clusters of context. The clusters

were validated through multiple-cross validation methods in order to establish the stability and significance of the cluster solutions. Accordingly, four clusters of work design were identified, namely, *involvement*, *directed intervention*, *embedded control* and *containment*. Three clusters of strategic orientation were uncovered, that is, *superachievers*, *defenders* and *quality advocates*. Three clusters of client relationship also emerged, which were labeled as *business savvies*, *captives* and *collaborators*. Finally, two clusters of context were identified, which were named as *aggressive entrants* and *prudent pygmies*.

The BPO firms in the sample were then classified into configurations using a chi-square test. Consequently, five dominant configurations of BPO firms were identified – *clear-eyed strategists*, *adapting professionals*, *focalizing artisans*, *conservative controllers* and *overachievers*. Finally, Kruskal Wallis One-Way ANOVA and Tamhane's T2 test were used to examine if there existed significant differences in the performance of BPO firm configurations. The findings showed that specific configurations of BPO firms, based on work design, strategic orientation, client relationship and context, were associated with better performing BPO firms. Accordingly, *adapting professionals* and *clear-eyed strategists* appeared more successful and *conservative controllers* seemed to be average performers. The *overachievers* appeared more unsuccessful than other configurations, while *focalizing artisans* pointed towards a configuration-in-transition.

This study, thus, systematically investigated a conceptual model that examined the relationship between a broad range of constructs, namely, work design, strategic orientation, client relationship and context, and ultimately linked it to BPO firm performance. Using concepts based on extant theory and empirical research in the area of outsourcing, strategic management, strategic human resource management and organizational theory, this study demonstrated why some BPO firms performed better than others. It also suggested that BPO firms could achieve organizational success by a variety of paths. Finally, the study created a template for BPO firm managers to evaluate the choices and strategies available to their firms for managing their competitive environments successfully.