Virtual Teams in Sri Lankan Business Process Outsourcing Companies

U.L.T.P. Gunasekare
Senior Lecturer
Faculty of Commerce and Management Studies
University of Kelaniya
Sri Lanka

Abstract

Globalizing becomes an inevitable and the key characteristic of globalization has been expansion of multinational corporations and their related trade and investment activities. Responding to the increasing decentralization and globalization of work processes, many organizations introduced virtual teams that are collaborated by communication technologies across geographical and temporal boundaries. In this revolutionary process, major business innovation is called Business Process Outsourcing. Sri Lanka is still very youthful in the outsourced business and it is still gaining some momentum. This article attempts to capture the virtual team concept in BPO companies in Sri Lanka and explore how virtuality is practiced in these teams through a qualitative inquiry. Study found that the teams functioning in Sri Lankan BPO companies comprise of features of virtual teams. Interdependence, ICT utilization, geographical dispersion, time-based, dissolvable nature and knowledge sharing are the foremost characteristics to term these teams as virtual teams.

Key Words– Virtual teams, Virtuality, Business Process Outsourcing

1. *Introduction*

Globalizing becomes an inevitable in recent years as the businesses have to deal with rapid changes more quickly and more frequently than ever before. A key characteristic of globalization has been the steady expansion of multinational corporations and their related trade and investment activities. At first, trade liberalization has generated a dramatic alteration in the businesses, with increased trade not only in final goods, but also in intermediate goods and services. Secondly, technological changes increased the "divisibility" of the production process into ever more discrete stages and even in "jobs". It results finally a profound change in the way the businesses operate. Where fragmentation of production is technically possible, multinational corporations retained core activities in which they are able to complete and adopt a variety of outsourcing arrangements for other noncore activities. (Bird & Ernst, 2009). Even though outsourcing initially has been started in manufacturing areas, presently there is a rising trend towards service outsourcing. New communication technologies especially internet facilities and improved communication structures in developing countries facilitated this trend more.

The goal of outsourcing then, was often largely limited to achieving operational efficiencies of various steps in production processes. This is revolutionary, and universal telecommunication infrastructure is a major part of what gives life to the business innovation called **Business Process Outsourcing.** During the past four to five years, however, it has witnessed the rapid growth in this service called Business Process Outsourcing (BPO),in the areas such as IT enabled services, software developments, front office operations, various research activities and product designs as well. With Business Process Outsourcing, the goal of the firms are typically longer-term and focus on the realization of overall business benefits, whether enhancing an organization's competitive position in the marketplace or improving shareholder returns. A recent Accenture sponsored IDC Canada survey noted that over 90 per cent of the Canadian executives, who currently use outsource as a strategy said they expect some degree of strategic change in their business processes through outsourcing. (Chamberland, 2003).

Sri Lanka is listed among the top choice for the business process outsourcing, which is favorably being ranked better of late. With many Sri Lankan BPO companies coming into existence, the business is quickly taking its roots in this Asian country.

Thus, many BPO companies are growing in Sri Lanka and it assures that a rapid change in the country's economy. The first BPO set up in Sri Lanka was an off-shore US operation, as early as in 1983. (BOI, 2013).

Responding to the increasing de-centralization and globalization of work processes, many organizations have responded to their dynamic environments by introducing virtual teams that are collaborated by communication technologies across geographical, temporal, cultural and organizational boundaries to achieve common goal in their organizations outputs. So virtual teams are growing in popularity due to these needs in today's business world (Cascio, 2000). Additionally, the rapid development of new communication technologies such as the internet has accelerated this trend today, so that most of the larger organization employs virtual teams to some degree. Information technology is providing the infrastructure necessary to support the development of this new organization forms. Virtual teams represent one such organizational form, one that could revolutionize the workplace and provide organizations with unprecedented level of flexibility and responsiveness (Powel A., Pic coli G. and Ives B., 2004). Virtual teams became important mechanisms for organizations seeking to leverage scarce resources across geographic and other boundaries.

This article attempts to capture the virtual team concept in BPO companies in Sri Lanka and explore how virtuality is practiced in such teams in BPO companies. Because virtual teaming is popular subject amongst the scholars and being a widely adopted strategy during this era, it has not been addressed by the researchers adequately. Existing studies on virtual teams have been dedicated heavily, to define and understand this concept, comparing with collocated teams and to identify the advantages and disadvantages of it.(Badrinarayanan & Arnett, 2008) (Prasad & Akhilesh, 2002) (Cascio, 2000) (Zhang, Gregory, & Sh i, 2008.). Thus this study further comprehends the concept of virtuality in BPO industry, which is again, emerging industry in Sri Lanka. And especially this study further explores the practical aspect of virtual teams in Sri Lankan BPO companies to term the teams in BPO companies as virtual teams. In this study the focus is on virtual teams in BPO companies. In the literature, studies focusing to BPO industry are also very limited and understanding of this new business sector will open the eyes of the other researcher as a thought-provoking area for their further studies. This study tries to address this requisite.

2. *Methodology of the Study*

The study used exploratory design with some aspects of descriptive method to explore the virtual nature of BPO companies. In depth interviews were held with the focused groups in three BPO companies selected randomly from the SLASCOM. The interviews were supported by the VIRTUALITY index constructed by Chudoba et al.(Chudoba, Lu, Watson-Manheim, & Wynn, 2003). The index was used as a general guide for the interviews and qualitative discussions that were held with 10 team members to uncover how they operate their team activities in the virtual setting.

3. *Business Process Outsourcing Industry in Sri Lanka*

Business process outsourcing (BPO) is defined simply as the movement of business processes from inside the organization to an external service provider. With the global telecommunications infrastructure now, well established and consistently reliable, BPO initiatives often include shifting work to international providers. It is regarded as a way to eliminate business processes that are not part of the organization's core competence. Back-office functions, such as payroll and benefits administration, customer service, call center, and technical support, are just a few of the processes that the organizations of all sizes have been able to outsource to others who specialize in those areas. Removing these functions from their internal operations enables organizations to reduce payroll and other overheads. The number of BPOs set up in Sri Lanka increased rapidly after 2002, after the changes implemented in government policy. Majority of these BPO's have been established under the Board of Investment (BOI). The most popular type of work undertaken is accounting services (43 percent of the BPOs in Sri Lanka) followed by call center services (19 percent of the BPOs). Low labor costs and operational costs are cited to be the most favorable reasons for locating in Sri Lanka. Tax incentives offered by the government, and the time/distance advantages are also contributory factors in selecting the destination. The leading consumers of Sri Lankan BPO services are USA, UK, and Australia (BOI, 2013).

These companies in Sri Lanka are well competing with the fully developed ones in China and India. The companies enjoy the talented and enthusiastic labor forces that are trained in diverse fields and the current educational environment is promising a good niche for this business. This is especially true in Colombo which offers a large labor force.

The national development programs on competency is focusing on ensuring that Sri Lanka becomes a center of excellence and has had focus in several areas of capability enhancement in the population which will be surely going to boost the Sri Lankan BPO companies and make them more competitive globally. In addition to that the IT-BPO has already been identified by the government as a key force in growing outsourced businesses.

Central Bank of Sri Lanka released its annual report for the year 2014 revealing statistics about the economic and the industry conditions of the country. As per the statistics provided by Central Bank of Sri Lanka, the gross inflows to the computer and information services sub sector increased by 7.2 per cent in the year 2014 which means that the industry has been growing at a significant rate. The annual report also reveals that the gross inflows from the IT, BPO and KPO industries account for USD 628 billion indicating that there is lot more to be done, in terms of achieving the industry revenue target of USD 1 Billion by 2016 (Central Bank, 2014)

Nevertheless, the annual report of Central Bank of Sri Lanka acknowledges that Software and Information Technology Enabled Services (ITES) such as BPO and KPO have emerged as a sector with high growth potential in Sri Lanka, generating significant inflows in 2014 compared to the previous year. Further, it also states that Sri Lanka has been able to win the 'Outsourcing Destination of the Year' by the National Outsourcing Association (NOA), UK in October 2013 as a result of increased inflows to the country. In addition to these factors, Sri Lanka is recognized for having the ability to produce skilled human resources needed for Information Technology (IT), BPO and KPO sectors (W. Don Banabas,V Sriram, 2011).

Considering the activities of the government to support the IT, BPO and KPO industry, the government has put forward a proposal to facilitate corporate entities engaged in BPO services while offering a 5-year half tax holiday for the new companies who are establishing operations. In addition to this, a project proposal was made to develop an Information and Communication Technology (ICT) Zone at Hambantota as the emerging ICT Hub of South Asia. Sri Lanka is still very youthful in the outsourced business as a whole and it is still gaining some momentum. However**,** BPO's in Sri Lanka are already gaining popularity with its competitive advantage of many English speaking graduates as compared to the more populous China, India and Philippines. There are also many graduates who are leaving colleges with qualifications in IT who are currently getting absorbed into some of the BPO companies (Slasscom, 2014).

Currently Sri Lanka has about 300 medium sized companies as well as small ones which employ up to five hundred professionals each. Among the industry leaders, HelloCorp which claims well over 30% of the market share. There are other companies which are already operating in this place which include the HSBC, Microsoft, Motorola as well as RR Donnelley amongst many others. The companies are taking the advantages that Sri Lanka has cheap labor which is quite competent and this a key driver which will make the BPO sector very successful

Since Sri Lanka is still not much preferred by some of the investors who see it's risky, the country has a challenge in changing this negative perception. There are many reasons that could attract outsourcing vendors which include its lovely climate, tourist's destinations, and the locals who are friendly as well as have a great adoptability. It is a quick changing country which has fast growing record of Gross Domestic Product. Sri Lanka's IT/BPO industry has set its vision to achieve USD 5 billion in exports by 2022 while generating 200,000 jobs and creating 1000 Start-ups in this process. Various stakeholders have put various plans into place to achieve these goals. Considering the plans of the government, vision for IT/BPO and Knowledge Service Industry (KPO) is set to promote Information Technology (IT) as a major industry in Sri Lanka (Slasscom, 2014).

4. *BPO Companies as Virtual Organizations*.

As an organizational metaphor, the virtual concept is "a product of the Information Age generally and the computer industry in particular". As the consequence of ICT evolvements, workplace, working time, and even the communication medium have been under remarkable revolutions.

Virtual teams are a relatively recent phenomenon, and the initial investigations of this new organizational type have typically been less descriptive. Second, it may be that managers and academicians do not yet appreciate that working in a virtual environment may require different approaches than working in the traditional organizational environment. Perhaps researchers have not pursued more rigorous investigations of virtual teams on the assumption that previous theory and practice on traditional group processes and outcomes can easily be generalized to the virtual environment.

According to Gibson & Cohen (2003) a team to be considered as virtual to some degree, the team must have the following three attributes. One is that, it is a functioning team—a collection of individuals who are interdependent in their tasks, share responsibility for outcomes, see themselves and are viewed by others as an interactive social unit embedded in one or more social systems, and collectively manage their relationships across organizational boundaries. Second, the members of the team are geographically dispersed and third, the team relies on technology-mediated communications rather than face-to-face interaction to accomplish their tasks.

In considering the above definition it gives the impression that, a BPO Company is fundamentally a virtual type socio technical business innovation that provides a rich new source of competitive advantage. Since BPOs consist of teams of people who work together, interacting for interdependent tasks, coordinated through information communication technologies across multiple geographical locations, virtuality has been presented in these companies. By the word socio technical, it means that BPO requires skillful management of people and technology (hardware and software). Hence it is one of that interdisciplinary workplace that demands a diverse set of skills to be successful. Initiating and implementing a BPO project requires a focus on several human factors, both within the organization that initiating the project and within the outsourcing vendor. These factors cannot be ignored and must be handled correctly in order for the project to succeed. Human behaviors include developing various teams to manage the BPO initiative throughout its life cycle, reassuring staff of their role in the company, training people on the new way of doing business, dealing with job reassignments, keeping morale high throughout the project, encouraging people to participate in decision making, understanding cultural differences between the organization and its partners. (Budhwar Pawan S., Luthar K. Harsh, Bhatnagar Jyotsna., 2006)

5. Findings

5.1 Virtual Team Concept Practicing in BPO Companies.

These teams consist of 5-15 numbers of diversified members in terms of gender, age, religion and ethnicity. Teams are uniquely dependent on team interaction and individual acceptance as they collaborate from a distance in their individual social network. Each of the teams formed in a uniquely different way, which fostered varying social interdependence from group to group. The teams' perceptions of their effectiveness and cohesion also varied from team to team. In general, each team exhibited a collectively positive team perception of individual teammates and their willingness to contribute to a common vision and commitment to achieving team goals. In interviewing the team members, a member of one team said that they worked very cooperatively and each of has the capacity to trust each other explicitly to do the job well. Another one claimed, ''it was a team thing—we all made suggestions, we all contributed. It was a group effort and it was shared leadership". Everybody in the group found a role as a communicator, giving feedback, providing content, or writing the drafts within the team. The members' social interaction needs are fulfilled through the use of technology while they are doing their job as the team. It is a fun to work together through the technology and team members found it is less time consuming and more focus on task. They have flexible meetings while the work and most often these communication are characterized formal plus informal.

The distinguish features of these virtual teams in BPO companies can be stated as follows:

- *Interdependence***.** The concept of interdependence involves the cooperation and synergy between participants in these virtual teams. While sharing skills and information, each member devotes his/her own contribution to common goal of customer fulfillment resulting in greater equality in participant relationship. Further it is a sequential task arrangement each member of the group has his/her own task contributions that certainly affect the task performance of the other group member. Each member's unified skills and corporation determine the each other's task accomplishments as well as the group performance.

- *ICT utilization***.** With ICT evolvement, the office uses desktop videoconferencing, collaborative software, and intranet systems to enhance the flow of information among team members. As a result, the members can reach one another between geographically dispersed locations. E-mail is the most frequently used tool for all teams. Per a day, as an average 8-15 mails transactions take place by one member. Frequently the return mail is also quick and responses are limited only to the inquiry. Personal telephone call is another most frequently used tool by everyone. Possibly due to high associated cost, personal calls also limited only to the matter they inquired. Voice mail is used when the personal calls are not connected or the individual is not available to answer the phone call.

Fax and group telephone conference, standard/express mail delivery, shared databases/groupware are probably used due to inability to utilize other communication vehicles; may be most efficient and cost-effective way to share business information due to difference in time zones. Video conference although used on average once a month, more prominently used by transnational teams, may be a most efficient and cost effective way to share business information with other team members through ''simulated face-to face interactions''. Other than these tools represented either on-line data/voice chat technologies or other miscellaneous technology to exchange business information are used by transnational teams, probably due to inability to utilize other communication vehicles; may be perceived as an efficient and cost-effective way to share business information.

- *Geographical dispersion.* Since ICT as primary communication means, work location is no longer of significance in these BPO companies. Innovative technologies have enabled to collaborate independently of place or time, and provided connectivity between each other. Having being at multiple locations, the team members are functionally distributed, so that the teams are spread across the different places. Remote reporting relationships are growing, where some of employees work in locations different from their managers. In many jobs within the BPO companies does not require employees to come to the workplace, while increasing job mobility and flexibility. Increasingly, people work some part of the week at home, and so it is extremely common for work meetings to occur over the telephone.

- *Working across different time zones.* Since the team members are at different locations, teams face more complexity when members are across multiple time zones, in large part because of increased difficulties in scheduling and coordinating work activities. The team members are sometimes functioning at far beyond the company may be out of the country. In connecting with them the time difference is the major concern. The work tradition of the BPO industry is work around the clock, since it needs to meet the challenge of working across different time zones. In the longitudinal case study of three global virtual teams, (Maznevski & Chudoba, 2000) illustrated the importance of establishing a predictable rhythm of communication exchanges, which becomes increasingly challenging when team membership encompasses different time zones (Kanawattanachai & Yoo, 2002)(Yoo & Alavi, 2004).

- *Dissolvable Nature.* The team represents the alignment among the partners who aim at a common goal. Naturally, once the objective has been fulfilled or the opportunity has been exploited, partners may dissolve the synergy and move on to new partnerships and teams. In this movement, the team's task is at main priority. The membership sometimes may be different, but the members are known to each other since every one represents the same company.

- *Resources pooling and knowledge sharing.* Participants within a teams in these BPO companies, complement each other by pooling, sharing, and reallocating the resources since they have realized their strong dependence on one another and the continued participation in the network also necessitates this sharing. The organizational culture reflects highly cooperative, which facilitates the team members to share knowledge and experience among each other to achieve the team goals.

6. Conclusion

According to the above information gathered through the in depth interviews with team members of selected teams of the BPO companies, the teams in Sri Lankan BPO companies demonstrate features of virtual teams. Hence it can be concluded that the characteristics relating to virtual teams are available and visible with the teams in BPO companies. From this point of view, the basic organizational design of the BPO companies is virtual design. It works as a virtual company and comprise of teams of employees working virtually. The features of virtual teams which are vested in BPO companies are interdependence, ICT utilization, geographical dispersion, time-based, dissolvable nature and knowledge sharing. The members in these teams are then can be identified as virtual teams who have virtual connections with each other in their teams. As (Gassmann & Zedtwitz, 2003) defined virtual team is a group of people who interact through interdependent tasks guided for a common purpose and work across links strengthen by information and communication technologies. (Gassmann & Zedtwitz, 2003). Further another definition suggest by Hertelet al, describing virtual teams as distributed work teams whose members geographically dispersed and coordinate their work predominantly with electronic information and communication technology. (Hartel, Geister, & Konradt, 2005). Therefore, BPO companies having these characteristics may possibly be branded as virtual companies performing through virtual teams.

References

Badrinarayanan, V., & Arnett, D. B. (2008). Effective virtual new product development teams: an integrated framework. Journal of Business and Industrial Marketing(23), 242-248.

Bird, M., & Ernst, C. (2009). Off shoring and Employment in the Developing World. Geneva: International labour office.

BOI. (2013). Sectoral Guide, Investment Guide. Colombo: Research and Policy Advocacy Department.

BudhwarPawan S., Luthar K. Harsh, Bhatnagar Jyotsna. (2006).The dynamics of HRM systems in Indian BPO firms. Journal of Labour Research, XXVII(3).

Cascio, W. (2000). Managing a virtual workplace. The Academy of Management Executive, 14, 81-90.

Central Bank, S. L. (2014). Annual Report. Colombo: Central Bank of Sri Lanka.

Chamberland, D. (2003, July/August). Is It core or Strategic? Outsourcing as a Strategic Management Tool. Ivery Business Journal, 12-23.

Chudoba, K., Lu, M., Watson-Manheim, B., & Wynn, E. (2003, December). How virtual are we? Measuring Virtuality and Understanding Its Impact in a Global Organization. Electronic Proceedings of the International Conference on Information Systems.

Ebrahim, N., & Sahri Taha, S. (2009). Virtual Teams: A Literature Review. Australian Journal of Basic and Applied Sciences, 3(3), 2653-2669.

Gassmann, O., & Zedtwitz, V. (2003). Trends and Determinants of Managing Virtual R & D Teams. R & D Management, 33, 243-262.

Gibson, C., & Cohen, S. (2003). Virtual Teams That Work, Creating Conditions for Virtual Team Effectiveness. USA: The Jossey-Bass Business & Management Series.

Hartel, G., Geister, S., & Konradt, U. (2005). Managing Virtual Teams: A Review of Current Empirical Research. Human Resource Management Review (15), 69-95.

Kanawattanachai, P., & Yoo, Y. (2002). "Dynamic Nature of Trust in Virtual Teams. Sprouts: Working Papers on Information Systems, 2(10).

Maznevski, M., &Chudoba, K. (2000, October). Bridging Space over Time: Global Virtual Team Dynamics and Effectiveness. Organization Science, 11(5), 473 - 492.

Powel A., Pic coli G. and Ives B. (2004). Virtual Teams: A Review of Current Literature and Directions for Future Research. The Database for Advances in Information Systems (35), 6-36.

Prasad, K., & Akhilesh, K. (2002). Global virtual teams: what impacts their design and performance? Team Performance Management(8), 102 - 112.

Slasscom. (2014). Sri Lankan IT/BPM industry Review. Colombo: Slasscom.

W. Don Banabas, VSriram. (2011). Industry Report on Sri Lanka. Colombo: IMaCS Research & Analytics.

Yoo, Y., &Alavi, M. (2004, January). Emergent leadership in virtual teams: what do emergent leaders do? Information and Organization, 14(1), 27-58.

Zhang, Y., Gregory, M., & Shi, Y. (2008.). Global engineering networks (GEN). Drivers Evolution.