

## **Special Topic – Challenges in Offshore Operations**

### **Country Selection & Environment**

In looking at offshore DA operations, certainly one of the most critical factors is the selection of the country and its socio-economic-political environment. The presence of government-supported incentives, economic development practices, and various trade laws make it easier (or harder) to do business in any particular country. This can affect such factors as the cost or speed of importing expensive critical equipment, timeliness of relocating expatriates, etc.

The stability of the country's economy and political leadership are additional "basics" that must be present. Sudden currency fluctuations and high inflation can destroy the economic benefits of locating/outsourcing a call center offshore. Political unrest could create safety issues for the center's operation as well as for individual expat's.

Certain other infrastructure features are helpful in overcoming common challenges in going offshore, as evidenced in the Philippines. An educational system that teaches and requires a high level of proficiency in both written and spoken English produces a large, skilled labor pool with the critical basics of DA employment requirements. The overall atmosphere and style of the culture is also generally regarded as friendly, upbeat, and active. Add to those things an eight-million strong Metro Manila consumer culture penetrated by many American franchises and products, and the result is a healthy flow of new recruits ready to provide excellent service directly to the US.

There are also some aspects of labor law and practices that might help or hurt an offshore location. Just as within the US an employer may find it more or less difficult to handle human resources issues, depending on the state in which they are located, there are similar fluctuations among various countries – sometimes with wide variance from country to country. Since most likely the greatest opportunities for offshore call centers are in countries with less-developed call center or offshore industries, dealing with out-of-date or alternate labor practices is simply a part of doing business.

Related to the saturation level of the call center industry in any given country, anyone starting or sustaining offshore operations must recognize and address a key trend. In a low industry saturation environment, wage rates for call center jobs are relatively low because there is little competition for employees and the novelty of this new area of industry is high. As more employers start up in this "sweet spot" environment, the novelty partially wears off for job-seekers and more choices mean more competition among employers for qualified candidates – thereby raising wage rates and diminishing the economic value and attraction of being offshore.

The Philippines is a good example yet again: Five years ago there were less than 10 call centers serving offshore customers operating in Metro Manila. Today there are at least 70 and the qualified, skilled labor force is enjoying a wage market with 10-20% higher rates.

## **Recruitment, Selection, and Training**

While recruitment, selection, and training are the foundations of any good call center operation regardless of location or country served, in an offshore call center operation they are literally the life blood of success or failure. In addition to the normal skills, behavioral outlook, and communication abilities any call center recruits, selects, and trains, we also found the following effective practices being utilized by off-shore call centers:

**Selection Testing** – In addition to common spelling and typing tests, we found the presence of speaking and listening tests as well. The speaking test is a list of commonly used words and a paragraph that must be read aloud by the candidate. During this process they are evaluated on how trainable their accent and pattern of speech are. The listening test is a comprehension measurement where the candidate listens to calls and answers questions based on what they heard. Experience in this testing indicates that most of the candidates that do not pass selection testing, fail to do so because of the listening/comprehension evaluation. With this level of selection testing in place, between 5-10% of applicants are hired and accepted into training.

**Training Length and Agenda** – Compared to an average two-week training program for onshore DA centers, we found a best-practice training program of five weeks in an offshore operation. Beyond the two weeks of “standard” training experiences, the five-week program first includes three weeks of instruction and practice on accent, listening, customer service, common names/businesses and geography. This is followed by the technical and call handling skills that all operators learn.

In reality, we suspect some of the top performing onshore DA operations also incorporate some of the same features in their recruitment-selection-training processes.

## **Management Angles**

Stability in performance is greatly impacted by the management practices present in operating any call center. In looking at the scope of this area, we present three aspects for discussion here regarding what presents particular challenges in the offshore arena:

*Coaching and feedback* – In the US managers are typically able to give very direct feedback to employees regarding performance, even if with a little more “edge” than desired, without disrupting the operator’s general ability to overcome it and move on (e.g., “The quality of the call I just monitored for you was awful, I know you can do better.”). However, giving feedback offshore as directly as in onshore situations, will likely be perceived differently (often negatively) due to cultural norms. The impact can cause native offshore employees to view American management/ownership as “heavy handed,” “mean,” “uncaring,” etc. and result in an us vs. them mentality that is hard to overcome. Being careful to balance such direct approaches, or to modify them in ways aligning with the culture, is a valuable approach for the long term.

*Maturity of the workforce and management* – If the call center industry is relatively new to the offshore country/area, there will be a lack of experienced

managers in general (or the experienced ones will be very expensive). This shows up as a generally very young employee demographic resulting in inevitable maturity issues among the workforce. Some cultural practices also affect this, such as the common experience in the Philippines of living at home with parents until the time of marriage. The independence level of operators and the leadership assertiveness of managers are areas to target heavily for development and mentoring. On the flip side, this can actually be a benefit since there are fewer bad habits/behaviors ingrained into an operator/manager's mode of behavior in the workplace.

*Language/culture immersion* – One of the effective practices in offshore centers is that of immersion in the culture and language of the onshore country. For example, allowing only the primary language(s) of the onshore country to be spoken on the call center floor. Other effective efforts include showing movies and television shows from the onshore country, using movie posters and common business advertisements in the center, etc. The desired impact is to create a “different world” atmosphere while at the center, in which popular cultural terms and experiences become second nature.

### **Performance Quality**

After initial start-up “kinks” are worked out, in comparison to US centers with similar management and operations practices the overall performance level of offshore centers does not appear to fluctuate outside the same range as onshore centers. However there are some differences in performance along certain quality measures.

It would appear from Paisley's measures that, unless the operators need to enter a problem solving phase, they do as well as any other operators. It is when they begin asking for the spelling of simple or familiar names or words such as “Home (Depot)” or “Walmart” that the caller is tipped off to the fact that they are not in the US. Many such cases can and are solved by continuing education and additional experience to season the operator's familiarity with US markets.

Experience also boosts an offshore operator's ability to understand/comprehend American accents, regional lingo, or clever dual meanings. Reports from the call centers indicate that what is often described as a listening issue is frequently related directly to understanding and comprehension. For example the word “market” sounds very different from a Bostonian vs. a New Yorker vs. a Texan, etc.

Another broad-brush performance indicator relates to how often callers request to speak to a supervisor, and for what reason. While this data is not tracked or reported (at least to us) in a statistically significant manner, general feedback from offshore call centers shows that *after a time* the frequency of supervisor requests levels out to the norm in onshore centers and closely matches the same reasons. (Wrong number, long wait time, etc.) During startup periods, or periods when individual consumer markets are new to being routed offshore, there is some additional frequency of supervisor requests particularly regarding concerns over the center's location or inability to understand the operator. Low instances after continued operations could point to a combination of improved operator performance as well as greater consumer acceptance after “living with it” for a time.

In the UK Paisley has noticed some variance in overall Care performance though Fulfillment performance is consistent between onshore and offshore centers. The primary drivers of the Care differences are in the areas of Tone of Service and Acknowledgement.

### **Operator Work Times (OWT)**

In Paisley's measurements, OWT has levelled out to be 1-4 seconds longer than comparable onshore counterparts. In other examples there are slightly larger variances, but overall it appears that any significant differences are likely due to experience of the operation (time, effective training, maturity) and to operator turnover rates (which we do not have for this report). The initial startup impact of a new offshore operation bumps OWT up significantly, but has shown to smooth out over time.

There is also data showing that offshore operations can have OWT lower than the industry average, though the underlying reasons may be heavily due to differences in prescribed operator protocol and call handling procedures. The wide variances here are seen between competitors and not between multiple centers under the same set of management and operational practices.

### **Accent / Clarity**

An offshore operator with excellent English skills will still have an accent noticeable to callers, but with only slightly more impact to the caller than from a US operator with a significant regional accent. In other words callers may have some difficulty understanding an offshore operator, but only marginally more than they have difficulty understanding an operator from the southern U.S., for example. Regardless, callers more often have concerns over other call elements such as receiving the correct number, speaking with a friendly and confident operator, or other call handling aspects.

There are times that, when reaching the "ideal" operator during test calls and silent monitoring, it is difficult to identify that a call has reached an offshore location. The combination of well-trained English grammar and vocabulary, clear diction and moderate/no accent, good listening/comprehension, and a familiarity with the market and various onshore accents, all conspire to provide a virtually seamless interaction at least as good as onshore counterparts.

### **Who's Doing It and Where**

Some information is included below regarding who is involved in offshore operations.

#### In the US:

MCI / vCustomer. With vCustomer's buy-out of MCI's OS/DA division, it now has a significant US presence to attract clients desiring either all-onshore or partial-onshore service. On the flip side, this immediately gives MCI a major offshore presence. vCustomer's offshore presence is primarily in India.

INFONXX. With a major call center in Manila, Philippines, INFONXX directly manages its own operations. The company appears still to be growing both its US and Philippines capacity.

iTouchpoint. A wholesale provider with only an offshore location in the Philippines, iTouchpoint has experienced leadership in both onshore and offshore DA call centers.

Excell Agent Services. Successfully providing competitive service onshore, Excell has capabilities to include offshore offerings to clients as well through the Philippines and Canada.

Others are rumored to have the beginnings of offshore operations, or may be in the process of starting/seeking them.

In the UK:

British Telecom. BT initiated its offshore traffic last year, through HCL Technologies in India. The portion of their volume to the India operation from the competitive UK market is unknown, but is likely a small complement to traffic serviced by BT's multiple onshore locations.

The Number. INFONXX's sister company in the UK, also uses their Manila, Philippines center to handle some of their competitive retail market. This complements service provided by the company's two consolidated onshore centers.

One.Tel. Another provider from the UK's competitive environment also utilizes offshore operations to keep pricing low and margins profitable. One.Tel sends an unknown portion of its traffic to call centers in the Philippines and India.

A final note regarding the degree to which offshore operations may allow wholesale pricing to come down – because exact pricing information is held closely in the competitive wholesale/retail DA environment, Paisley cannot provide precise data in this report. However, it is reasonably accurate to expect offshore pricing to be as little as 10%, and as much as 30%, lower than comparable onshore pricing for like services and performance. This would of course depend on what volume of total traffic is sent offshore – the higher the volume of traffic, the deeper the discount.

In conclusion, while there will remain a significant number of communications carriers who do not use off-shore operations or off-shore wholesalers, the increasing interests in pushing wholesale DA costs lower will drive more centers and more traffic offshore overall. More wholesalers will (and perhaps are already) offering an offshore pricing option for clients to choose from, and it appears even current offshore operations are continuing to expand.