Configurations of Business Process Outsourcing Firms and Organizational Performance

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Abstract

There is an increasing recognition of outsourcing firms as new organizational forms with unique systems and practices. This paper uses a configurational approach to integrate learnings from outsourcing literature, organization and management theory, strategic management and strategic human resource management in order to understand similarities and differences between outsourcing firms and their performance. It formulates a conceptual framework that proposes that certain combinations of work designs, strategic orientations, client relationships and contexts could lead to better organizational performance within a sample of outsourcing firms.

The paper uses principal components factor analysis, Ward's minimum variance method, K-means cluster analysis, and chi-square to analyze data collected from 60 outsourcing firms across India. Five dominant configurations of outsourcing firms emerge, namely, clear-eyed strategists, adapting professionals, focalizing artisans, conservative controllers and overambitious associates. Further examination with Kruskal Wallis One-Way ANOVA and Tamhane's T2 test indicates that specific configurations of outsourcing firms are indeed associated with better performance across a variety of organizational performance parameters.

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INTRODUCTION

India has emerged as one of the most favoured outsourcing destinations across the world in the last decade. According to data gathered by United Nations Conference on Trade and Development (UNCTAD, 2005) it ranks first amongst outsourcing countries. Outsourcing has been hailed as *"India's most promising sector*" - a euphoria that is supported by impressive growth rates. The Indian outsourcing industry accounts for at least 10% of global outsourcing industry (Barnes, 2005). According to National Association of Software and Services Companies (NASSCOM), the outsourcing sector has contributed almost 2.2% to India's GDP and has created direct employment opportunities for approximately 2.3 million professionals (www.nasscom.in).

Despite the fact that India has evolved a powerful reputation in outsourcing industry, it faces immense challenges today. The industry which was growing at an annual rate of 40-50% since inception is now projected to grow at 11-15% in 2009-2010 (www.nasscom.in). Although this still is a substantial growth rate, there is increasing recognition of the fact that outsourcing firms face an uphill task in the future. One major threat to growth has emerged in the form of *increasing competition from other low-cost outsourcing destinations* such as China, Ireland, Poland, Brazil, Mexico, Philippines and Czech Republic (Kelly & Poole, 2006). Another serious factor is the *withdrawal of tax exemptions by the Indian government* in March 2010-11 (Sharma, 2009), which will render the Indian outsourcing industry uncompetitive with regard to global competitors. The industry also faces a lot of *resistance from Western countries* like US and UK since outsourcing appears to have an impact on local employment (Kakabadse & Kakabadse, 2006). To add to these are the *data theft and security concerns* plaguing Indian outsourcing firms. Finally, employee turnover has turned out to be the *Achilles' heel* for many call centres because attrition has a heavy impact on a call center's financial bottom line (Bordoloi, 2004). In India, despite 'rather lucrative pay packets', attrition levels have reached alarming proportions and annual attrition figures stand at almost 50 - 60% (www.nasscom.in).

It is interesting to note that different firms in the Indian outsourcing sector have reacted to these challenges in different ways. As a result there is a vast difference in their organizational performance. On one hand, organizations such as Infosys, Wipro, TCS and others, have charted impressive success stories in the global outsourcing industry. At the same time, there are numerous outsourcing firms that are not able to survive beyond a year or two of their establishment. This paper attempts to investigate differences in the choices and strategies available to outsourcing firms for managing their organization and business environment, and their linkage to key success factors.

Review of literature on outsourcing reveals a serious dearth of research on outsourcing firms (Sharda, 2008). Most research takes into account the client perspective, while the needs of outsourcing service providers are virtually ignored in outsourcing literature (Logan, 2000). However, the emergence of outsourcing firms as new organizational forms cannot be disregarded any further. As the acceptance of outsourcing model has increased, distinctive organizations have evolved with the sole objective of being outsourcing service providers. Today these business process outsourcing (BPO) firms (as they are commonly known as) have grown not only in terms of number but also in scope of services provided. Subsequently, the bargaining position of these firms has changed too. Just as clients could discriminate amongst vendors, now vendor firms are also in a position to pick and choose their clients. Their tremendous growth and success has led some to label them as the *"oil barons of the 21st century"* (Logan, 2000).

However, there are very few detailed and systematic studies of BPO firms and empirical research in the area has, at best, produced inconclusive results. Research on classifications of outsourcing firms is still in a very nascent stage. Most studies focus on low discretion, highly routinized call centre work, which is only one of the services provided by a business process outsourcing firm. Outsourcing firms have usually been categorized based on their organizational designs or human resource systems. Adequate attention has not been paid to strategy or interorganizational relationships while classifying BPO firms. Surprisingly even important contextual variables such as firm age and firm size have not been included in studies on outsourcing firms. The findings of many of these studies have not been correlated to objective organizational performance measures as well. The result is that existing research on outsourcing firms are fragmented, limited, focus on a very narrow set of attributes, and are divorced from linkages with organizational performance. To address this imbalance, this paper focuses specifically on the vendor perspective. Departing from the reductionist approach of previous outsourcing studies, *this study adopts a more holistic perspective to understand differences in the choices and strategies available to outsourcing firms for managing* *their organization and business environment. It uses a configurational approach to integrate learnings not only from previous outsourcing literature, but also from strategic management, strategic human resource management and organizational theory in order to understand similarities and differences between BPO firms and their performance.*

THE CONFIGURATIONAL APPROACH TO STUDYING BPO FIRMS

Configurational theorists assert that *organizational phenomena can best be understood by identifying distinct, internally consistent sets of firms and their relationships to their environments and performance outcomes over time, rather than by seeking to uncover one universal set of relationships that hold across all organizations* (Ketchen et al., 1997). Configurations are represented through typologies developed conceptually or captured in taxonomies derived empirically. They are also referred to as ideal types, classifications, archetypes or gestalts (Sinha & Van de Ven, 2005).They can be situated at multiple levels of analysis, depicting patterns common across individuals, groups, organizations, or networks of organizations (Meyer, Tsui & Hinings, 1993).

The identification of configurations of organizations is beneficial to organizational science because configurations also allow us to look at underlying patterns of organizational elements within a sample of organizations. While, some critics claim that classifications schemes oversimplify the complexities of organizational life, classifications based upon only one or two dimensions have been criticized in particular (Carper & Snizek, 1980). This paper agrees with the view of theorists who propose that configurations should incorporate multiple dimensions. Empirical studies also predict higher effectiveness for organizations that exhibit internal consistency or fit among patterns of relevant contextual, structural and strategic factors (Doty, Glick & Huber, 1993; Mintzberg, 1983). Finally, the theory proposes that different organizational forms can be equally effective in a given environment (Ketchen et al., 1997). *Thus, the use of configurational theory as a lens for examining business process outsourcing firms provides a strong theoretical framework to identify linkages between their work designs, strategies and contexts, and to understand the implications of these linkages for outsourcing firm performance.*

Using the configurational approach as the theoretical foundation, the research questions have been condensed into two major research objectives:

(a) To identify configurations of BPO firms based on work design, strategic orientation, client relationship and contextual factors (firm size, firm age).

(b) To test if an alignment between work design, strategic orientation, client relationship and contextual factors (firm size, firm age) is associated with variations in organizational performance.

METHOD

Research Design

This study aimed to identify configurations of outsourcing firms based on a set of interrelated organizational and contextual determinants. However, there were some important methodological challenges. Discovering configurational archetypes among BPO firms based on prior empirical research was difficult since there was a dearth of macro-level studies on outsourcing firms. Hence, a combination of exploratory as well as descriptive research designs was chosen, which would use inductive methods to identify relevant organizational variables to classify outsourcing organization and help uncover the relationship between configurations of outsourcing firms and their performance.

The sample consisted of 60 business process outsourcing firms across India. In each organization, data was collected from multiple respondents at three levels – at least three members of the top management team, at least one senior human resource manager, and at least ten non-managerial employees (Total number of respondents = 836). In addition to the survey, semi-structured interviews were also conducted with human resource managers, members of the top management team and non-managerial employees in each firm. Sample demographics are presented in Appendix A.

Operationalization of Research Variables

A review of the relevant literature was conducted to identify existing scales used in empirical research. Wherever available, previously validated scales were chosen and modified. Where no standardized measures were available, new items were developed using the theoretical definition of each construct and a review of important conceptual literature. With the exception of few, most items were measured on a seven-point Likert scale[iii]. In addition to the survey instrument, semi-structured interview schedules were also designed for use in interviews with human resource managers, members of the top management team and non-managerial employees in each firm.

Work design: Work design comprised of three dimensions – *task characteristics*, *communication* and *HR practices*. The final work design questionnaire comprising of 103 items was administered to at least 10 non-managerial employees in each firm.

Strategic orientation: Given the inadequacy of research on BPO firm strategy, broader strategic management literature was researched to identify items that could study the selected strategic dimensions, namely, *market sensitivity, technology*, *product distinctiveness*, *site appeal*, *service*, *price*, *cost efficiency*, *scope* and *human capital*. Based on an in-depth review, 21 items were included in the strategic management instrument, which was administered to at least 3 members of top management team in each firm.

Client relationship: Since most prior research in outsourcing has examined the relationship from the client's perspective, buyer-supplier relationships in broader management literature were examined to arrive at a coherent and meaningful set of variables from the vendor's perspective. Client relationship was conceptualized as a function of ten dimensions - *asset specificity*, *information exchange*, *coordination*, *commitment*, *conflict, conflict resolution*, *cooperation*, *interdependence*, *contract dimensions* and *ownership* of the firm. All items were subjected to an in-depth review process following which the final instrument on client relationship consisted of 35 items. This instrument was administered to at least 3 members of top management team in each firm.

Context – firm size and firm age: Maintaining consistency with previous studies, this study used number of employees to measure *firm size*, while *firm age* was measured as the number of years a firm had existed since its year of establishment.

Organizational performance: Organizational performance was conceptualized in this study as a multi-dimensional construct. It included measures like *average attrition over the last two years*, *growth in number of employees*, *growth in number of clients*, *growth in number of processes offered*, and *overall satisfaction with organizational performance over the last two years*.

[iii] Definitions of work design, strategic orientation and client relationship variables are presented in Appendix B.

Control Variable: Industry effects were controlled for since the study focused only on outsourcing firms. Thus, it was assumed that all firms in the sample experienced an equally dynamic business environment characterized by a similar amount of unpredictability in technology, customer desires, competition, government policies, shortages of labour and the like.

ANALYSIS

The data was first screened and tested for its appropriateness for multivariate analysis. It was then subjected to factor analysis which served as a data reduction technique and also helped to identify critical dimensions that would ultimately define archetypes of work system, strategic orientation and client relationship. Cluster analysis was chosen as the next analytical tool to identify how these critical dimensions coalesced into distinct patterns or configurations. Using the factors as input variables, a two stage clustering approach, Ward's minimum variance method and *K*-means iterative portioning method, was used. The most stable and meaningful set of clusters was examined in case of each variable and was retained for further analysis.

The reliability and validity of the cluster solution as well as its statistical significance was tested through two cross-validation techniques – split-sample replication and discriminant analysis. External validity was also examined by relating the clusters to variables other than those used to generate the cluster solution. The nature of business activity of each organization was used as the criterion for external validation.

The final objective was to extend these individual clusters into a configurational model of BPO firms. All organizations were first classified based on their membership in work design, strategic orientation, client relationship and context clusters. Frequencies of firms associated with each combination of work design, strategic orientation, client relationship and context were obtained and were reclassified as "configurations" of BPO firms. In all, 25 configurations were observed out of a possible 72 patterns (4 *work design* clusters x 3 *strategic orientation* clusters x 3 *client relationship* clusters x 2 *context* clusters). Based on a chi-square test ($\chi 2 = 47.5$, $df = 24$, $p < .005$), 5 of the 25 patterns were deemed to be dominant patterns or gestalts, and the remaining, minor patterns.

The 5 dominant patterns representing “gestalts” or “archetypes” of BPO firms were examined for their relationship with organizational performance, while the minor patterns were not included in further analysis (Lee, Miranda & Kim, 2004). Next, Kruskal Wallis one-way ANOVA was used to test if the five dominant configurations of BPO firms could predict organizational performance with regard to average attrition, growth in employment, growth in clients, growth in offered processes and overall satisfaction. As seen in Table 1, there was a statistically significant difference ($p < .01$) between the five dominant configurations with regard to all organizational performance parameters. These results were supported by Tamhane’s T2 test.

Table 1

Kruskal Wallis One-Way ANOVA for Dominant Configurations

	AVERAGE ATTRITION	GROWTH IN EMPLOYMENT	GROWTH IN CLIENTS	GROWTH IN OFFERED PROCESSES	OVERALL SATISFACTION
Chi-Square	26.599	13.330	38.489	15.047	33.189
Df	4	4	4	4	4
Asymp. Sig.	.000**	.010†	.000**	.005*	.000**

Grouping Variable: Dominant Configurations
† *p < .01*
* *p < .005*
** *p < .001*

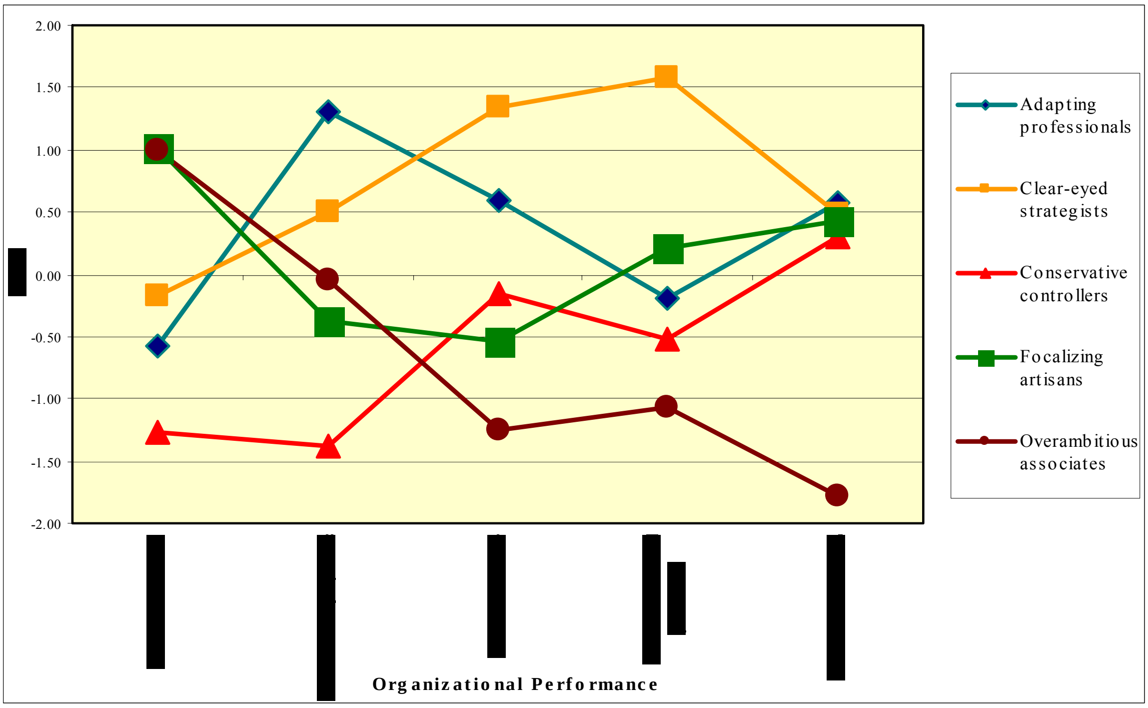
Table 2 depicts mean performance of configurations while means plot of performance across configurations is presented in Figure 1.

Table 2
Mean Performance of Configurations

CONFIGURATIONS	AVERAGE ATTRITION (%)	GROWTH IN EMPLOYMENT (%)	GROWTH IN CLIENTS (%)	GROWTH IN OFFERED PROCESSES (%)	OVERALL SATISFACTION
Clear-eyed strategists	33.50	62.44	56.63	38.75	53.31
Adapting professionals	34.25	51.50	67.38	59.38	50.50
Conservative controllers	22.33	36.58	41.67	43.17	50.60
Focalizing artisans	52.50	39.30	33.10	39.30	47.58
Overambitious associates	56.75	31.75	23.00	29.00	15.00

Figure 1

Plots of Organizational Performance across Configurations



Thus, *adapting professionals* and *clear-eyed strategists* appeared more successful and *conservative controllers* seemed to be average performers. The *overambitious associates* appeared more unsuccessful than other configurations, while *focalizing artisans* pointed towards a configuration-in-transition.

BPO FIRM CONFIGURATIONS AND ORGANIZATIONAL PERFORMANCE

The following section gives a description of the primary characteristics of each configuration and their organizational performance. The descriptions were validated through the semi-structured interviews conducted in each organization with the top management team, senior HR managers and employees. The names of the configurations were chosen to be descriptive of the attributes of the archetype. The findings corroborated the basic tenets of configurational theory. They demonstrated that parts of the organization took meaning from the whole and explained performance better than if they were considered in isolation. The results also supported the concept of equifinality and showed that an outsourcing firm could attain organizational success in more than way. Thus, several well aligned and several poorly aligned configurations were identified in the outsourcing environment. *Clear-eyed strategists* and *adapting professionals* appeared more successful, while *conservative controllers* seemed to be average performers. The *overambitious associates* appeared more unsuccessful than other configurations, while *focalizing artisans* suggested a configuration-in-transition.

Clear-eyed Strategists

The clear-eyed strategists comprised of 13.3% of organizations in the sample and formed one of the largest configurations in the study. The BPO firms in this configuration were young, small-sized organizations with an average age of 7.9 years and an average size of 169.38 employees.

Clear-eyed strategists were *"niche players of niche products to niche markets"*. Most of these firms competed on the basis of high quality, knowledge-intensive processes or services, delivered through skilled human resources. The client's business was economically significant to the BPO firm, however the reverse did not hold true. These business savvy firms were aware of this imbalance and knew how to "*negotiate the politics of business*." For instance, while they compromised on certain areas such as product or process design, these firms did not compromise on issues that affected the delivery of high quality services. Thus, they were able to capture their major client's repeat business by consistently delivering high quality processes and services. At the same time, these firms also sought to reduce their dependence on their major clients by diversifying their client base.

The focus on quality was drilled down to all levels. Maintaining quality of work was paramount and every error was monitored. Employees were very clear about how success would be measured. Extensive training was provided to enhance employee skills and to maintain excellence levels in customer service. These organizations preferred referrals as the primary mode for recruitment to get candidates who "*understood the high performance oriented culture*".

Growth in employment was above average at 30.1%, however, *"scaling up"* was not a prime concern for these organizations. Instead, as mentioned earlier, these organizations concentrated on enhancing their business development capabilities by adding new clients and offering new processes to existing clients. Accordingly, they had the highest rate of business development among all configurations. They had increased their client base by 50.5% in the last two years and had increased the number of offered processes by 40.6%.

The clear-eyed strategists also performed well on attrition scores. They had an average attrition rate of 25.1%, which was slightly lower than average. While attrition was still a challenge, these organizations had *"learnt to contain"* it at a level which was at par with the industry. The firms in this configuration offered a compensation package that was more attractive than competitors in the market. These firms recognized that "frills" were important to retain people. Hence, while work pressure was high on a daily basis, it was offset by a five-day workweek. Though these firms could not provide attractive career options they did communicate these constraints clearly to their people. Thus, employees knew the nature of potential career paths and had tailored their aspirations accordingly. Promotions were offered on the basis of client appreciations received. Attrition of colleagues and lack of work-life balance were important stressors. But, employees preferred to stay because of *"strong quality focus, top management team capabilities and brand of the organization"*, which had positive implications for overall organizational performance.

Adapting Professionals

The adapting professionals comprised of 13.3% of BPO firms in the sample. Along with the clear-eyed strategists, these firms also formed one of the largest configurations in the study. These organizations were young (mean age = 8 years), but relatively larger in size compared to clear-eyed strategists, with an average size of 313.13 employees.

These BPO firms were highly adaptive and flexible in their approach. These firms competed on the basis of domain knowledge and usually had the first-mover advantage in their sector. While these organizations manifested a willingness to change strategic models as needed in a changing environment, they seemed to know where they wanted to be in the long run. Each organization in this configuration strived to become a superlative organization, for instance, *"a leader in providing market research services"* or "*a pioneer in acquiring industry"* .

These firms displayed flexibility not only in their strategies, but also in their client relationships. All firms in this configuration wanted to move from their short duration contracts to long-term contractual arrangements. To achieve this aim, these business savvy firms adopted a range of strategies. For instance, they customized products and processes, offered end-to-end solutions, and tried to get into the core processes of their clients. Some firms were ready to bear losses in the short-term for gains in the future. Sometimes they offered low prices to penetrate the market and gain a toehold. Once they had convinced the client of the *"value-addition created by them"*, they renegotiated their price. These organizations operated from advantageous locations and created regional hubs to deal with diverse clients. These firms also offered a lot of freedom and flexibility to their employees. Since the nature of task was highly creative, they ensured transparent and participatory work systems to facilitate task performance.

The *adapting professionals* also appeared to perform better than other configurations. These firms were in a growth phase, which was reflected in high employment growth rate (41.8%) and high growth rate of client base (35.9%). Growth in number of processes was slightly low (23.1%), probably because they were already offering end-to-end solutions to clients. They ranked highest on top management team's satisfaction with overall performance. Average attrition was 21.6%, which was relatively lower than average.

Since these firms were in a specialized business, they could offer *"creative work"* as a hook to retain people. These firms also used a range of recruitment agencies to tap the right resources, especially from two-tier cities in their vicinity. They offered attractive incentives such as ESOPs for higher bands and retention bonuses for lower bands of employees. Yet, attrition could not be ignored. Employee discontent was high with regard to number of aspects. These organizations had no development and succession plans for employees, and growth was primarily in monetary terms. The employee's career was seen as his own responsibility. Work pressure was very high and *"stretch hours"* were a norm. Employees constantly complained about office *"politics"*, which affected their task involvement. Employees also faced a high degree of abuse from their customers in their jobs, which created a lot of discontent and anger.

These organizations were able to perform well in current scenario because they were established players in a market with few competitors. This advantage could be lost in the near future given the highly competitive nature of the outsourcing industry. However, right now, these firms were riding the high wave of growth. They were in a hurry to capitalize on the opportunities provided by the Government to the outsourcing industry in India, and did not have time to review the possible challenges to this growth.

Focalizing Artisans

The focalizing artisans comprised of 8.3% of organizations in the sample. The BPO firms in this configuration were younger (mean age = 6.8 years) than both clear-eyed strategists and adapting professionals. These firms were also small, with an average size of 278.0 employees.

This configuration appeared to comprise of outsourcing firms that were going through a transition phase. Their efforts in all three spheres, articulating the organization's strategy, managing their client relationship, and structuring their work systems, appeared unfocused, but there was a strong orientation towards "focalizing" all three aspects. Historically, these organizations had been subsidiaries of big firms or had been acquired. Because of the strong emphasis on catering to the needs of their parent group of companies these organizations had ended up operating in more than one unrelated businesses. Now they wanted to *"shed the flab"* and focus on a single vertical. However, they were not very clear about their strategic orientation. Compared to other quality advocates, these firms showed a relatively higher concern for keeping costs low. These firms had undifferentiated offerings, and usually customized third-party designs for their clients. Their parent or client firms typically maintained tight control over their day-to-day operations. In spite of their close alliance with their parent companies, they had short-duration standard contracts with them, which added to their insecurity. They wanted to "*break free"* from their *"parent"* organizations, but were unable to do so due to their small size and lack of capital.

They also attempted to create focalized work designs, but were only partially successful. For instance, stress on rules and procedures led to a high degree of performance monitoring. Performance was appraised on the basis of quantitative targets. Yet, employees did not know what constituted *"success"* since the organization did not communicate it explicitly to them.

Their scores on performance measures were not very encouraging. However, the top management of these firms appeared to be in denial, which was reflected in high scores on satisfaction with overall organizational performance. These organizations were not growing. Their rate of client growth was low (14.1%) because they were still "captives" of the group of their parent companies. They had to continually increase the size of their offerings (27.0%) as per the demands of their parent group. The rate of employment growth was also low (17.6%) for these firms. To add to all this, they had a very high rates of average attrition (35.6%).

These firms did not find it difficult to attract talent to their organization since the brand of the parent firm and its reputation in the industry was very strong. However, after recruitment people were kept waiting on the bench for a project to arrive that would require "*ramping up*". Meanwhile, the organization did not provide much training, and there were no avenues for enhancing skills and employability. Additionally, career options were extremely limited given the small size of these organizations. It wasn't surprising then that these organizations were victims of employee *poaching* by other organizations, and people left as soon as they came across an attractive option. To their credit, these firms were in the process of creating HR policies that could address these concerns. However, the systems put in place didn't always have the intended impact because of lack of understanding of the underlying issues. At the same time, their efforts smacked of superficiality given the otherwise strong coercive work culture.

Conservative Controllers

Conservative controllers comprised of 10% of the organizations in the sample. The firms in this configuration were smallest when compared with all other configurations, with a mean size of 116.5 employees. They were similar in age to the clear-eyed strategists (average age = 7.8 years).

These firms perceived a high degree of environmental uncertainty and hostility. They responded to this uncertainty with tight controls and highly centralized decision-making.

They usually took fewer risks and tried to continue doing what had worked in the past. They made a conscious decision to not scale up in order to keep their costs low. Thus, these firms were characterized by no innovation, limited or no marketing initiatives, and low prices. They usually operated from locations that could provide them with cheap human resources.

These firms were quality advocates but emphasis on quality was not an organization-driven initiative. Rather, quality levels were defined for them by their clients and they simply focused on *"meeting commitments"*. Both, the conservative controllers and their clients were wary of opportunistic behaviour by the other party. Hence, both kept their investments and switching costs low. These outsourcing firms frequently referred to their client as *"the king"* or *"god"*, but the underlying script ran as *"we must be smarter than the client."*

These organizations also exercised a high degree of control on employee tasks and performance. There was high emphasis on adhering to rules and procedures and no deviation was tolerated. Extensive training was provided so that employees could perform their jobs with utmost efficiency. These firms could not focus on "frills" given their cost constraints.

With close to average scores on client acquisition measures (21.7%) and higher than average scores on overall satisfaction with organizational performance, the *conservative controllers* appeared to be average performers. However, small size, low growth in employment (3.3%) lower than average growth rate of offered processes (19.9%), also implied a certain degree of conservativeness in strategies and systems. These firms had low attrition rates (15.6%) maybe because of paternalistic approach towards employee management. However, whispers about *"secrecy"*, *"politics"*, *"networking"* and *"communication gaps"* abounded. Employees were not allowed to participate in any decision making process. They wanted team meetings, performance appraisals, client reviews and progress reports. They also wanted "frills" such as *"entertainment programmes"*, state-of-art office spaces, and transport facilities. The organizations on the other hand, wanted employees to focus on task efficiency instead. This created a high degree of tension and increasing conflicts between management and employees.

The conservative controllers had been able to perform satisfactorily until now because they had some unique advantages. Almost all these organizations had not invested in infrastructure. The employees formed a unique bunch of people from small towns with low aspirations, and low ability to understand their opportunities or the limitations of their situation. This could have been a major factor in keeping attrition rates low. However, with increasing competition, especially for trained human resources, it seemed that these firms could not compete forever with their conservative stances.

Overambitious Associates

Overambitious associates constituted 6.7% firms in the sample. The outsourcing firms in this configuration were younger compared to firms in other configurations and had an average age of 6.3 years. However, these organizations were large-sized firms, with the mean size being 4317.5 employees.

All firms in this configuration were subsidiaries or offshore operations of the parent firm. Their *raison d'être* was to provide a cost advantage to their parent organization, who was also their major client. The strategic direction of these firms was set by their parent organization in all cases and they provided a wide range of services for their parent firm. All of them felt they were *"not good enough"* for their parent organization. So they overextended themselves in order to please their parent firm.

These firms were set up in India through acquisitions in order to have access to a low-cost labour pool. Hence, these firms placed a very high emphasis on managing their human resources, almost to the exclusion of everything else. Paradoxically, this HR focused approach did not translate into an employee-orientation. Employees were typically referred to as *"seats"* or *"resources"* in the organization and business performance was measured in terms of resource utilization, seat utilization or revenue productivity. High work pressure left employees with no time for training, career growth, enhancing employability, or simply balancing work and non-work life. Thus, despite the high focus on HR systems and processes, employees did not perceive the work system as *"attractive"*. The *"brand name"* of the parent company appeared to be the sole *"attraction"* for employees.

Overambitious associates appeared to form the most unsuccessful configuration in the study. Firms in this configuration had the highest attrition rates (mean = 35.4%). Employee growth was equal to industry average (22.3%). Growth in number of clients was almost negligible (0.3%). This was expected given that firms in this configuration were subsidiaries or offshore operations of big services firms. Growth in number of processes was low (14.4%). Importantly, top management's satisfaction with overall organizational performance was extremely low.

These firms, in their zeal to become like their parent organization, had overstretched themselves and had appeared to lose their focus. Their involvement oriented work systems appeared superficial because these organizations had grown at a rapid rate and had not consolidated the learnings from this growth process yet. Employees recognized that they were mere *"seats"* or *"resources"* for the organization, despite the lofty goals of an involvement oriented work design. This appeared to generate high employee dissatisfaction and high attrition. Yet, these organizations didn't even seem aware of what was wrong with their processes or systems. Thus, while *overambitious associates* spent a great deal of effort to *"do it right"*, each effort appeared to be overextended in a different way (Reeves, 1996). In the process, they were not able to manage their relationships with most of their stakeholders.

To summarize, it appeared that BPO firms could achieve success by following different paths. It also appeared that different aspects of an organization took meaning from parts, and explained performance better when considered together rather than if they were considered in isolation. A simultaneous examination of various attributes showed why the same strategy or work design had different implications for organizational performance when embedded in a different context or client relationship, or vice-versa. For instance, both adapting professionals and overambitious associates followed the "superachievers" strategy. However the configurational twist was that in case of adapting professionals it lead to better organizational performance while in case of overambitious associates, it lead to extremely poor organizational performance. The difference could probably be attributed to whether the strategy was embedded in an appropriate pattern of coherent organizational processes, contexts and interorganizational relationships or not.

CONCLUSION AND IMPLICATIONS

This paper holds importance for both management practitioners and academicians. It follows research precedents set and tested in general organizational literature, but which have not been used in the context of outsourcing firms. Just as the theoretical foundation of this study draws from the areas of organization and management theory, strategic management and strategic human resource management besides outsourcing, so also can the findings of this study be used in research in these disciplines. Using the configurational theory as a basis for understanding BPO firm performance helps avoid examination of simple bivariate relationships that might not have been truly characteristic of organizational performance. Since configurational membership can predict which firm performed better than others on objective and subjective performance measures, the paper provides a useful framework on how strategies and processes can be structured.

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APPENDIX A

Table A1
Sample Demographics

CHARACTERISTICS OF SAMPLE ORGANIZATIONS	
Average age of organization	6.8 years (Ranges from 2 to 21 years)
Average size of organization (with respect to number of employees)	1994.8 employees (Ranges from 14 to 26000 employees)
Ownership of Business	Independent Vendors – 63.3% Partnership Firms – 16.7% Division / Subsidiary Firms – 20.0%
Outsourcing services offered by firms	IT services – 41.7% Financial services – 23.3% Engineering services – 5.0% E- learning / publishing – 3.3% Travel related services – 3.3% Healthcare services – 3.3% Market research services – 1.7% Human resource services – 1.7% Animation – 1.7% More than one service – 15.0%

EMPLOYEE DEMOGRAPHICS	TOTAL	NON-MANAGERIAL	MANAGERIAL
Percentage of Female and Male respondents	Female – 30.6% Male – 69.4%	Female – 34.9% Male – 65.1%	Female – 8.4% Male – 91.6%
Percentage of Managerial and Non-managerial respondents		Non-Managerial – 83.5%	Managerial – 16.5%
Average age of respondents	28.9years (range – 18 to 64 years)	27.3 years (range – 18 to 54 years)	37.0 years (range – 24 to 64 years)
Average prior work experience of respondents	5.9 years (range – 0 to 35 years)	4.4 years (range – 0 to 31 years)	13.7 years (range – 2 to 35 years)
Educational qualification of respondents	High School – 2.5% Diploma – 1.9% Graduation – 30.6% Graduation (professional qualification) – 19.2% Post Graduation – 13.5% Post Graduation (with professional qualification) – 31.8% Ph.D. - 0.6%	High School – 3.0% Diploma – 2.3% Graduation – 35.3% Graduation (professional qualification) – 18.0% Post Graduation – 14.1% Post Graduation (with professional qualification) – 27.3% Ph.D. - 0.0%	High School – 0.0% Diploma – 0.0% Graduation – 6.7% Graduation (professional qualification) – 25.2% Post Graduation – 10.1% Post Graduation (with professional qualification) – 54.6% Ph.D. - 3.4%

APPENDIX B

Table B1

Work Design Variables

WORK DESIGN VARIABLES	
Task variability	Frequency of exceptions or novel events encountered in one's work
Task analyzability	Extent to which there is a known procedure that specifies the sequence of steps to be followed in performing the task
Task interdependence	Extent to which personnel are dependent upon one another to perform their tasks
Emotional labour	Extent to which employees have to regulate their behaviour in order to meet organization's expectation specific to their roles
Directionality of information flow	Existence of upward, downward and lateral communication channels in the organization
Information accessibility	Amount of information available in the organization
Channel multiplicity	Existence of multiple channels in the organization
Information adequacy	Issues on which information was received i.e. organization's policies and practices, financial position of the firm, organization change, information on employee-related initiatives and task related information, and adequacy of this information
Feedback	Availability of a feedback loop by which employees could voice their suggestions and grievances
Satisfaction	Overall satisfaction with the availability of information in the organization
Recruitment	Recruitment practices and human resource flow in the organization
Performance management	Frequency of performance appraisal, communication of performance, parameters of performance measured, and sources of performance feedback
Training	On-the-job and off-the-job training opportunities
Career development	Formal system that provided information, advice and avenues for career growth in the organization
Work-life balance policies	Support to employees to effectively juggle the work and non-work parts of their life

Table B2

Strategic Orientation Variables

STRATEGIC ORIENTATION VARIABLES	
Product distinctiveness	Providing a greater selection of exceptional products, processes or services to distinguish the firm
Service	Providing a higher level of service than competitors
Market sensitivity	Use of aggressive marketing techniques to respond quickly to key competitor's moves
Cost efficiency	Concern for cost reduction and efficiency seeking methods
Price	Strategy of competing on the basis of premium pricing
Technology	Development and use of new and advanced technology
Scope	Breadth in both product lines and customer segments
Site appeal	Convenient location and attractive facilities
Human capital	Developing and retaining highly skilled workforce

Table B3

Client Relationship Variables

CLIENT RELATIONSHIP VARIABLES	
Asset specificity	Client's asset specificity - extent to which the client had made major investments specifically for its relationship with a vendor; for instance in tailoring its processes to use the vendor's processes, in time and effort to learn the vendor's business practices and also to develop a relationship with the vendor Vendor's asset specificity - extent to which delivery of a process or service required capabilities and skills unique to the vendor
Information exchange	Frequency of communication and mutual visits
Coordination	Whether information exchange was for the purpose of coordination or control Control oriented tasks - negotiating price with client, monitoring of performance by client, and resolving very urgent problems with client. Coordination oriented tasks - coordinating with client for continuous improvement, exchanging ideas and future plans, and keeping in touch with client
Commitment	Extent to which there existed an equal sharing of risks, burdens and benefits
Conflict	Issues on, and the degree to which, major disagreements occurred
Conflict resolution	Whether past disagreements had been managed and resolved in an adversarial or collaborative way
Cooperation	Extent of joint effort and cooperation between the vendor and the client on long-range business planning, process innovation, designing of services, technical issues and training of human resources
Interdependence	Economic significance of the vendor and the client to each other's business
Contract dimensions	Duration of contract, type of contract and length of business relationship
Ownership	Indicated if the outsourcing firm (or a part of it) was owned by client firm