THE IMPACT OF MULTI-SKILLING ON AN OUTSOURCED ENVIRONMENT

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Abstract

One of the biggest changes of recent years has come from the growth of groups of people using online technologies to use outsourcing as a way to build a viable service delivery business that can be run from virtually anywhere in the world at lower costs and better efficiency. Few challenges faced by the Outsourcer like sudden attrition, penalty costs, decreased productivity of employees and reduced employee morale makes it difficult for them to retain the businesses. The Strategy of Multi-Skilling has been successfully used across countries in Manufacturing, Construction, Hotel and other Service based industries. Multi-Skilling plays a very important role in an Outsourced Environment since such businesses struggle at times for maintaining business continuity under adverse situations such as sudden unexpected attrition.

The objectives of this research were to get answers to the following questions.

1. To what extent are the Outsourcer companies using the Multi-skillling Strategy?
2. What are the Advantages and Disadvantages of using Multi-skillling from the worker as well as management’s perspective?

The methodology comprised of desk research using published articles, reports and statistics as well as interviews conducted with the workers and the Shop Floor Managers. It was found that implementing this strategy was the toughest challenge due to resistance to change from workers. Using this type of training method, right from the beginning helped companies sail thorough times of unexpected attrition. The advantages of this strategy were best practices sharing amongst employees, increase in the employee’s meta-knowledge and process error identification. But above all, this study points out how systems thinking approach can work better for an Outsourced environment. The main disadvantages include employee burnout and decrease in productivity.

Key Words:
Multi-Skilling, Outsourcing, Strategy, Attrition
Introduction

This study is undertaken to revisit “Multi-skilling” as a Strategy for Business Continuity in an Outsourcing Environment. The paper is organized as below:

1. Introduction
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1.1 Overview of Outsourcing Industry

The Outsourcing industry in India has become one of the most significant growth catalysts for the country’s economy. In the last decade, the industry has grown 16 times in size, to reach USD 16.9 Billion (including domestic) in FY2011. In addition to fuelling India’s economy, direct and indirect employment creation is estimated at 4.5 million. India is the leading outsourcing destination, accounting for over 37 per cent of total global sourcing BPO revenues, followed by Canada and Philippines. BPO industry today is a diversified sector spanning across multiple services and becoming the hotbed for knowledge workers in the country. India headquartered; multinational firms, Global in-house centers and niche firms are building the sector in the country contributing to process excellence, transformation and best practices. BPO is a broad term referring to outsourcing in all fields. BPO in popular parlance means the delegation of one or more Information Technology (IT)-intensive business processes to an external provider that in turn owns and manages the selected process. There are four basic types of offshore outsourcing:

1. ITO- information technology outsourcing
2. BPO- business process outsourcing covers things like running call centers
3. Software R&D- offshore software development
4. KPO- knowledge process outsourcing covers processes that require a higher degree of specialization and skill sets.

The driving factor behind the development of offshore outsourcing has been the opportunity to cut costs while the key enabler is broadband Internet. The company that manages the selected process for the outsourcing company is called an Outsourcer company.
1.2 Attrition: A Major Operational Challenge faced by the Entities

Even as the IT & Call Center/ BPO (ITES) has made people wealthy in some sections of the middle-class around India & Indians have progressed economically, the employees are oppressed and extracted. Employees have over the years suffered a major setback in their quest for economic development, social status and real independence. There has also been a significant and steady erosion of a large portion of the employee base that have either quit in disgust or frustration that managements have bought on them. This trend is taking firmer root as the globalization process accelerates and becomes all-pervasive. The industry-specific survey organized by the Associated Chamber of Commerce and Industry (Assocham) found that the BPO sector has been facing a severe dearth of skilled workers, as the rate at which employees are opting out of mid and low level jobs has become alarmingly high. In contrast to popular impression that India’s BPO sector is the most competitive in the global arena, fast emerging BPO players in countries like China, Mexico and Philippines are posing a grave threat to the growth of country’s BPO sector. An attrition rate of around 65 per cent in the last two years has been reported. Besides, the industry is facing serious challenges like shortage of skilled and educated workers. Asschocham also pointed out that there is a growing trend of job-switching in the industry which might prove fatal for the survival and growth of India's BPO sector.

Even though the Companies are trying to persuade employees from sticking on to the job for a long time with friendly policies and perks, nothing seems to be of great help. Due to shortage of skilled labor the act of “Poaching” is seen amongst many new ventures. At times this results in sudden mass attrition which in turn questions the Business Continuity.
To quote an example of how sudden mass attrition affects Business Continuity:

“One fine afternoon, I arrive as usual on the Floor and realize that almost 50% of the staff is missing. On further questioning, I understand that most of them had given fake excuses of falling sick. We were not equipped to handle such situations. We had almost lost the project”

Team Manager

1.3 Multi-skilling as a Strategy for Business Continuity

The book of business strategies has an answer to this problem. Multi-skilling traditionally has been used in Manufacturing, Construction and Hotel Industries. It is also being used in Service sector especially in BPO’s. Organizations which multi skill employees use lateral shifts a mode of employee training and development. Cross functional skills are adopted. Employees are given cross functional training to increase the talent pool. Knowledge sharing is encouraged and formally acknowledged in these organizations. Some organizations boast of increased spending each quarter to train and develop new skill-sets. However, this may not be true for all processes under the same organization. For example: The billing rate for a KPO is higher than a transaction processing based BPO. Due to low profit margin, it becomes difficult to bear these extra training/recruitment costs. In most of the cases, the Client does not pay extra for extra man hours required for training. Thus, multi-skilling happens with the existing workforce or by utilizing the limited buffer. Attempting to utilize employee skills can create a workforce planning nightmare. For example, employees may have unique skill sets, but varying competency within each skill. Multiplying this by foreign languages and the number of planning possibilities each employee could become alarming. There is a very fine balance between increasing agents’ skills and overloading them with information. One of the most decisive factors dictating the success or failure of multi-skilling is proper planning. It often requires more care than the planning of single-skilled employees. Some Companies also feel that higher the occupancy of a worker greater the chance of employee turnover.
2 Review of Literature

Sarkar (2008) looks at the trends in outsourcing industry in India vis-a-vis the role played by the industry related factors in rebuffing (or accepting) unionization of its workers. The examination is based on the review of extant literature on working and employment conditions of BPO-ITeS and call centre employees. The paper highlights the role of key policy factors in the external environment and internal (organizational or contextual and individual) dispositions that were instrumental in the failure of the unionization effort in the beginning. It shows the significant impact of the competitive pressures in the changing nature of employee relations in Indian BPO-ITeS industry. It is observed that low job satisfaction and high work stress leads to high attrition rate and high turnover. BPO-ITeS sector has been witnessing one of the greatest attrition rates in Indian business history with current industry average attrition rate between 35 and 55%. The mean tenure of job for the call centre workers found was significantly low, 1.98 years. This indirectly has given support to the unionization efforts through the media and few industry protagonists who felt that union can be tolerated till the time it curbs the problem of attrition.

The voice sector has registered a turnover rate of as much as 50 per cent a year even if wages in this sector are now almost three times the minimum wage in both countries. The authors, Ofreneo & Pasumbal (2007) blame this not only on the nature of a call center job (dedicated character, high call quotas, etc.) but also, and more importantly, on the failure of the industry to address pressing industrial relations and HRD concerns. The paper ends with doables’ for this seemingly unique industry, including a call on the industry players and host governments to allow the voice workers to have a greater say in shaping the labour process in the industry. They also observed that in contrast, in the non-voice BPO segment, companies appear to have a more relaxed system of work management - open spaces for employee interaction,
work at day time and team work arrangement (especially for those engaged in design and problem solving)

Some benefits of multitasking are also mentioned as part of the discussions on complementarities supporting team-based high-performance work systems. Boning et al (2007) point out that firms adopting a certain bundle of human resource and work practices typically including autonomous teams, contingent compensation, job rotation, extensive training, and worker involvement for quality improvement are found to have experienced substantial improvement in productivity, as well as product and service quality.

Nronha & D’Cruz (2006) point out that organizations in the ITES sector have been extremely successful in using both the exclusivist and inclusivist strategies to keep unions at bay. These strategies have reinforced the notion of corporate culturalism that aims at winning the "hearts and minds" of employees by managing what they think and feel, and not just how they behave. Programmes of corporate culturalism, human resource management and total quality management have sought to promote a corporate ethos that demands loyalty from employees and it excludes, silences or punishes those who question its creed.

Based on extensive field research carried out over a four-year period, the authors of this study, Kuruvilla and Ranganathan (2005) argue that four interrelated human resource policy challenges threaten the outsourcing industry's growth: two "macro" problems (current skill shortages and the inability of the country to produce higher levels of skills for the long-term growth and sustainability of the industry), and two micro problems (very high levels of employee turnover and rapidly increasing employee costs). The authors evaluate current policy responses and suggest options. However, industry leaders have increasingly been complaining about lost business opportunities. The high turnover has led to increased "poaching." Some clients have moved India-based call centers to the Philippines and China. Some software outsourcing opportunities have been lost to Romania, Hungary, and Estonia. Perhaps most compelling as a
sign that skill shortages are affecting business is the frequently heard complaint about the quality of new recruits.

Lindbeck and Snower (2000), also focus on a difference in learning patterns between Tayloristic (characterized by specialization) and Holistic (characterized by multiskilling practices) work organizations. They distinguish two types of learning, intratask and intertask learning, where the former is traditional learning-by-doing best attained by performing a narrow task, and the latter arises when a worker can use the information and skills acquired at one task to improve his performance at other tasks. Employers then face a trade off between returns to specialization, which enhances intratask learning, and returns from task complementarities, which accumulate through intertask learning. They argue that a shift toward Holistic organizations has been driven by four forces, including advances in production technologies promoting technological task complementarities, advances in information technologies changes in worker preferences in favor of versatile work, and advances in human capital that make workers more versatile.

In a cross-national empirical study of forty-six engineering SMEs in Wales and two regions of Germany, Scott & Cockrill (1997) analyse the extent to which multi-skilling of staff is occurring, the underlying reasons for such developments, and how well placed firms are in relation to prevailing labour-market and training infrastructures strategically to develop hybrid occupations. It was found that new quality assurance or continuous improvement programmes, and organizational restructuring, were the main reasons for multi-skilling. A majority of companies encouraged skill expansion on an ad hoc basis, yet strategic exploitation of multi-skilling incorporating comprehensive training support remained infrequent, especially in Germany.
Koike (1977) emphasizes the improvement of problem-solving skills as the most important benefit of multi skilling. According to his extensive research of Japanese automobile plants, job rotation and other multiskilling practices prevalent in those plants help workers to understand the whole process and acquire capabilities to respond to productivity and quality issues as they arise in the workplace.

3. Need and Importance of the study

Borrowing business strategies from various industries and implementing them to the industry in question, sometimes leads to unexpected results. One such example is Multi-skilling. This strategy does help for Business Continuity and Contingency planning, however it comes with its own challenges when it is applied to Outsourcing industry. The advantages and disadvantages also need to be known from the point of view of a worker and Management. With the help of the findings of this research, the entities will be able to see a complete picture of this strategy and can take a call, whether or not it suits their business. Perhaps, they can develop a model.

4. Objectives

The study attempts to get answers to the following questions.

1) To what extent are the Outsourcer companies using the Multi-skilling Strategy?

2) What are the Advantages and Disadvantages of using Multi-skilling from the worker as well as management’s point of view?
5. **Methodology**

The main aim of this study was to capture the feelings of workers and Management team, with regard to Muti-skilling, keeping in mind the objectives. Hence a qualitative research was inevitably justifiable. The Ground Theory approach by Glaser and Strauss (1960) was adapted for this study.

5.1. **Data Collection**

Data was collected through unstructured interviews. The study demands that the participant expresses himself freely with an uninterrupted flow of thoughts. Though the questions asked were not in any particular order, the focus on objectives were maintained through an agenda also called as “aide memoire”. For the first objective only one category: “frequency” was created. For the second objective, six categories were created namely, Challenges, Advantages, Disadvantages, Client cooperation, Planning and Implementation. Two sets of interviews were conducted: one with the workers and one with the Shop floor managers. It is assumed that the Shop floor managers being a single point of contact between H.R, Client, workers and Senior Management, would be in a better position to answer the objectives of this study from the management’s point of view. As it was difficult to locate people who would voice their opinions a convenient sampling method was used. Moreover, it was necessary for this study to talk to people who had an experience of at least two years in an outsourcing environment. Preference was given to people who had an experience of working with more than
one company. A total number of 10 interviews were conducted, 5 with workers and 5 with Floor managers. They represented six Companies.

5.2 Respondents profile

The age of the respondents were in between 25 to 33. All the respondents had an experience of more than 2 years with an Outsourcer company. Their work profile was transaction based and so they had no experience of a call center environment. The process knowledge they carried comprised of Financial Services, Mortgage and Insurance. Some of them were outstation candidates, who hailed from different parts of India. Two out five workers were Post Graduates, the rest were Graduates. From the Floor Managers, respondents group, 3 of them were Post Graduates, the others were Graduates.

5.3 Data Analysis

As per Mile and Huberman (1994), in a qualitative study where there is a need to describe a picture of a “what is”, an interpretive approach is helpful. As the study demanded a holistic view of data rather than a condensed view an Interpretive approach was used to analyze the data.

The method of “Coding”, was used to organize the data and analyze it. The collected data which was in the form of written down sentences during the process of interview, was first read and re-read to demarcate segments within it. Each segment was labeled with a code which is a word describing that particular segment. In this study, coding schemes were continually added to, collapsed, and refined as the study progressed. After completion of coding, these codes were linked to the questions in aide memoire. The codes which could not be linked to any question in
aide memoire, were findings due to serendipity. The motive behind this exercise was to link the answers to the objectives, and not leave out any extra information provided by the respondent.

After the final abstraction, was complete, the abstracted data as per the aide memoire was presented in the form of a matrix structure. (Appendix 1&2). The display of data through a matrix, helped in understanding the data, summarizing the prevalence of codes, pointing out the similarities and differences across respondent interviews.

6. Findings

1. The Workers and Managers felt that Multi-skilling was implemented only on ad-hoc basis. There was no prior planning or initiative taken for the same. Only in instances where sudden attrition is experienced, the process of multi-skilling as a strategy for Business continuity is implemented.

2. Often this subject is implemented with shared Accountability amongst departments, which result into improper execution. The workers had no knowledge who was responsible for implementing Multi-skilling.
3. This idea was not welcomed by both the respondent groups. Surprisingly, in comparison with workers, more number of Managers were not in favor. Of course there were enough reasons to justify this feeling. Firstly, they feel that for the purpose of Multi-skilling, they are not given extra workers. Most of the times they end up putting extra pressure on the worker to learn after his working hours. Sometimes due to strict Service Level Agreement deadlines, even buddy training, where the primary worker trains the secondary worker, does not help as the secondary worker is primary for some other process. At times when there is a shortage of manpower, they are forced to take up the workers job and do it themselves. During such training sessions, the frequency of making errors is also high in number. There is a lot of resistance to change from the workers side. Very few self motivated people take part in training sessions. Managers end up being looked up as unreasonable bosses. However, they are aware of the advantages of multi-skilling. Though, it seems to be difficult to implement it, once employees are multi-skilled, many problems such as sudden attrition and absenteeism are handled in an effective manner. The dependency on one particular employee ends. One more advantage is that when one worker works on some new process (which was managed by some other worker), they try to implement best practices sharing. Also at times, they find old errors and report, which otherwise may not be noticed. Managers also believe that losing a multi-skilled worker hits them harder than a single skilled employee.

4. The Client insists on hiring employees with good knowledge and experience so that training them on additional skills will be easier. However, due to the shortage of skilled employees, this expectation of theirs is not met. Both the Workers and Managers feel that the Senior Management team should factor in Multi-skilling needs, before transitioning of the project and should ensure extra workers are allotted for a project.
5. The workers feel that there is no motivation for acquiring new skills. There is no change in the monetary emoluments. They feel the more they get into processing with extra skills, they will have to wait for a promotion. With no quality time to equip themselves with leadership skills, they get even more frustrated, when their capabilities to demonstrate such skills are questioned, during the performance appraisal. They see this strategy as a smart move of management to retain a multi-skilled worker. New jobs, new environment, and new learning can unnerve employees. They fear about not being able to live up to the expectations. They find it very annoying, when they get trained in bits and pieces. At times they even have to forego their breaks for training. Some advantages of this implementing this strategy were leave planning and Knowledge sharing.

6. Workers felt at times they are demotivated to take out of the box decisions. Such new decisions were to be taken in consultation with their Managers. They felt their job more or less required process knowledge but no common sense. They were not able to use their logical skills. They also commented that they could not understand the entire business flow; rather they understood only their respective processes. They worked in isolation and hence did not understand the whole picture.

7. Solution to the Problem

With the help of the findings of this research, it can be understood that lack of Manpower seems to be a main challenge. However, there is nothing much which can be changed in this regard. There is one strategy using which, with the given situation, the problem can be solved.

“Systems thinking” Strategy first appeared in the book of Peter Senge’s *The Fifth Discipline: The Art and Practice of the Learning Organization*. It is the process of
understanding how things influence one another within a whole. From a systems thinking point of view, the synthesis is the most important part. It encourages to step back and see the whole picture, rather than focusing on just its parts. It is an attempt to see the "forest" as well as the "trees." Systems’ thinking explores the interdependencies among the elements of a system, looking for patterns rather than memorizing isolated facts. It focuses on the feedback loop structure of a system because that structure determines the system's behavior over time.

*One of the findings of the study state that workers are not able to get the complete picture of the business, as they work in isolation. This reason can be held responsible for the workers to take time in getting multi-skilled. Learning how the business works, what are the relationships between processes, logically understanding the process and using common sense can cut down on training. This will help them to pick more than one skill quickly.*

Systems thinking strategy should be introduced in Outsourcer Companies and it should be constantly reiterated to the employees, managers and the whole of Organization. This will help in getting employees getting skilled on more than one process, without many problems.

8. **Summary and Conclusion**

Multi-skilling strategy is generally implemented on ad-hoc basis in Companies. It suffers from drawbacks such as poor planning, lack of accountability and burn out of employees. Unavailability of extra workers for training purposes is a challenge faced while implementing this strategy. The Systems thinking strategy can help in making the
Workers and Managers more knowledgeable about the business, which in turn will reduce the training time and eventually enable workers to possess more than one skill easily.

**Bibliography**


**Appendix 1**

<table>
<thead>
<tr>
<th>Manager Respondents</th>
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<tbody>
<tr>
<td>Sr. No</td>
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<tr>
<td>--------</td>
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<tr>
<td>1</td>
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<td>2</td>
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<td>3</td>
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**Appendix 2**

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<tr>
<th>Sr. No</th>
<th>Frequency</th>
<th>Accountability</th>
<th>Acceptability</th>
<th>Advantages</th>
<th>Challenges during implementation</th>
<th>Impact on Service Delivery</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ad-hoc</td>
<td>Not aware</td>
<td>Good</td>
<td>Leave management, Knowledge sharing, learning new skills may help in next job</td>
<td>Lack of manpower, Lack of motivation</td>
<td>SLA Hits, Client Complains, New perspective</td>
<td>Burn out</td>
</tr>
<tr>
<td>2</td>
<td>Ad-hoc</td>
<td>Not aware</td>
<td>Poor</td>
<td>Business Continuity</td>
<td>Lack of manpower</td>
<td>More Errors</td>
<td>Hate to learn new things, worried may not meet expectations</td>
</tr>
<tr>
<td>3</td>
<td>Ad-hoc</td>
<td>Operations</td>
<td>Poor</td>
<td>Business Continuity</td>
<td>Poor planning and Lack of manpower</td>
<td>Errors</td>
<td>Burn out, may not be promoted</td>
</tr>
<tr>
<td>4</td>
<td>Ad-hoc</td>
<td>H.R.</td>
<td>Good</td>
<td>Leave management, Knowledge sharing, learning new skills may help in next job &amp; Business Continuity</td>
<td>Not ready to give knowledge easily, Lack of manpower</td>
<td>Automation and Best Practices sharing, but during training SLA hits</td>
<td>Time Management issues, Insignificant training, incomplete knowledge transfer</td>
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<td>5</td>
<td>Ad-hoc</td>
<td>Operations</td>
<td>Fair</td>
<td>Best practices sharing and acquiring new Knowledge</td>
<td>Lack of manpower</td>
<td>SLA Hits</td>
<td>Burn out</td>
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