The BPO boom in India is driven by cost-cutting compulsions. And HSBC has lot of costs to cut. HSBC is one of the largest banks in the world with over 200,000 employees spread over 80 countries. With the exception of front-end jobs, a large proportion of these jobs could be outsourced to low-cost delivery centres. And HSBC is under pressure from its investors to offer better dividend through greater profitability.

It was almost in 1998-99 that HSBC started considering outsourcing to low-cost destinations around the world – global sourcing centres. The initial choice was not India. It was China. Not surprising. HSBC – Hongkong and Shanghai Banking Corporation - has strong Chinese roots and connections. It was only in June 2000 that HSBC considered setting up operations in Bangalore and Hyderabad – in a very small way.

The experiment was successful. The Hyderabad centre came up in June 2001 and the one at Bangalore came up in June 2002. Why India? Well, HSBC has been in India for almost 150 years. So its advantage English, to start with. While Chinese are adequate in English, HSBC found that India was better suited for activities relating to customer interaction. Though to be fair, HSBC has recently set up customer interaction services in China.

Currently, HSBC has 2,000 people in Hyderabad and 1,500 in Bangalore. A centre is being planned in Vizag. HSBC is planning to increase India staff strength to 5,000 within a year. The staff strength at global sourcing centres is likely to increase to 8,000 within a year from current 5,000. China has two centres – Wangjou and Shanghai. Centre at Kaula Lampur, Malaysia is on cards. What next? How many jobs can get outsourced? 10,000? 20,000? Sky indeed is the limit.

Any bank would have three kinds of segments – front office facing customer, middle office and the back office. Now the front office facing customer has to be at the customer location – even there some of it could be ‘outsourced to the Internet’. The entire back office and significant middle office can get outsourced to low-cost delivery centres. If the quality is acceptable – and this has been tested – the cost savings would add a significant punch to HSBC’s bottom line.
Presently, a lot of activities are being carried out at Hyderabad and Bangalore. Around 25% of them might involve customer interaction – the remaining usually comprise back office work. Most of the work comes from the UK, though a considerable amount has started to come from the US, Singapore and the Middle East. The work involves credit card processing – including issuing of cards and the subsequent collection of payments - handling customer correspondence, detection of credit card frauds, outsourced ‘district service centres’ which handle the entire back office operations of certain districts in the UK, electronic fund transfer, account management of various customers, mortgage legalities, updating personal accounts and so on.

Indeed, HSBC Electronic Data Processing has mastered the art of delivering outsourced activities out of India. Managing outsourced activity involves mainly three things – setting up infrastructure, the issues relating to human resources (HR) and management.

HSBC has mastered the art of setting up infrastructure real fast. For instance, the Bangalore office of 160,000 sq ft was ready to be occupied within a record 134 days. HSBC has already set up office in Hyderabad of a similar size and is in the process of setting up office at Bangalore within six months. The ability to ramp up infrastructure to required levels within short time frames is very crucial. Apart from the physical infrastructure, a customer call centre kind of operation also requires telecom infrastructure. There needs to be a capable technical team to keep the hardware and connectivity ready to make telecom infrastructure ready within short timeframes.

The issues relating to human resources (HR) are also important. The recruitment process is tough and only 5-7% of the applicants make it. The salary structures are attractive, though HSBC is careful not to get caught in the wage inflation loop. Employees are expected to be fluent in English. This enables rotation of jobs between the back office kind of operations and customer relationship management kind of jobs. The employment practices are fair rather than fancy. Employees know what to expect and can be assured of regular humane hours, free of exploitation. This means that attrition levels are low. However, the HSBC team finds that Indian employment consultants are less than ethical in recruitment practices as they are often found poaching candidates from other units.

The management team is a mix of Indians and people from other HSBC operations across the world. At any time, there are about 20 people
permanently staffed from HSBC global operations at almost all levels. Around 50 people from global operations move in and out of HSBC. This one looks like it is succeeding and in a big way.

Start-up Year: 2,000  
Area of Operations: Customer interaction and back office  
Location: Hyderabad, Bangalore  
CEO: Malcolm Wagget  
Promoters/Owners: HSBC  
Headcount: 4,000  
Approximate Revenues: N.A