

Outsourcing And its Impact

Neha

3803/15, New Subhash Nagar,

Behind Kali Devi Mandir,

Hansi, (Hisar) India

Abstract:

Outsourcing is a Business Strategy. It is a good system for many Industry. Outsourcing has both advantages and disadvantages. This research was aimed to investigate major advantages and disadvantages of promoting outsourcing in flow of Business and Economics. The qualitative technique of small group discussion were utilized with sample group. The Finding revealed that the majority of respondents and group members agreed that the advantages include expertise, the ability and time to concentrate on case process, risk- sharing, and cost reduction such as recruitment costs and operating costs. The disadvantages of using outsourcing including many hidden cost, lack of customer focus, loss of control, security and confidentiality.

Introduction:

Today is globalisation time. Now, many companies do not have to produce everything on their own. But, many companies try to give their best by one of the ideas of outsourcing. It is one of the best ideas that can do better, faster, cheaper and higher quality. Outsourcing is one of the successful business concepts that has become an increasingly popular organization management strategy (Koszłowska 2004). According to Rohan Bhansali, co-founder and director of Gozoop, India's largest independent digital agency, in order to stay competitive in business circuit, companies are increasingly depending on outsourcing to make their operations more inexpensive. Outsourcing is nowadays the most popular business concept applied in many companies and many industries around the world (Sky & Stenbacka, 2003)

Literature Review:

Outsourcing is a process of contracting a business function to specialised agency. Yet, outsourcing has both advantages and disadvantages. In fact, Outsourcing can be defined as the operation of shifting a transaction to external supplier domestically or internationally with an external supplier domestically or internationally with a long term contract with good relationship between the two partners (Quelim & Duhamd, 2003). Outsourcing originated in America, the useful ideas spread to all over the world (Vining & Goberman, 1999). Ashley gave the definition of outsourcing as "the allocation of risk and responsibility for performing a function or service to another entity." (Ashley E. 2008) In brief, outsourcing can be defined as the process of delegation of operations or jobs to the third party, who can do it better, cheaper and faster. Depending all the level of control over performance of outsourced function, outsourcing can be separated into internal and external types. Internal outsourcing is "Reallocation of functions is business system for saving control over its performance" and external outsourcing is "delegation of performance of separate or mutually related functions to external outsourcers" (Anikin BA, Ruday IL: 2009)

Positive And Negative Impact of Outsourcing:

Positive Impact of outsourcing: The most significant advantages of outsourcing are cost saving, highly qualified Person, flexibility, risk-sharing, focus on core activities. First, Outsourcing in general is held towards one of the main goals as cost saving (Liao Kvi, Reategui LA, 2002) (Lacity MC, 2001) (Axelrod CW, 2004). Second, by outsourcing companies have the possibility to access to highly qualified personnel, who may not be available to the client organisation (MClvov R., 2005). Third, flexibility is the key reason for outsourcing for many companies. Forth, risk-sharing is the most crucial factors determining the outcomes of a campaign is risk-analysis. Outsourcing certain components of many company is business process that help the organization to shift certain responsibilities to the outsourced vendor. Fifth, many researchers agree on the fact that by handling over noncore activities to a trusted third party, a company can concentrate on activities central to its value proposition and increase its competitive positioning (Fan LL, Ramachandra S, Wu YH, Yeu Zn. 2006). (Lacity MC, Hirschleim R. 1998)

Negative impact of outsourcing: Main disadvantage of outsourcing is risk of exposing confidential data & technology, lost of control, many hidden cost, security and confidentiality; lack of customer focus. First, disadvantage related is risk of exposing confidential data and technology, whenever an organization outsources HR, Payroll and Recruitment services, it involves a risk if exposing confidential, company information as well as technology to a third party. Second, lost of control over the outsourced operations stems from the reason that managing external resources requires special skills which is a combination of the skills of people and process management, contract management and power negotiation. Third, the concept of outsourcing is cost-effective but at times the hidden costs involved in signing a contract while signing a contract across international boundaries may pose a serious threat. Forth, almost every outsourcing contract has terms of security and confidentiality spelled out, but the execution and audit are always difficult. Fifth, an outsourced vendor may have to serve many companies and multiple organizations at a time. Therefore, they may lack a complete focus on your organization's tasks and job assignment (Wongleedee, 2016).

Conclusion:

This suggested that organization recognise that the value of transformation improved processes, experienced counsel and transition play on the success of their outsourcing programs, through after too late. Outsourcing became one of the most widely used contemporary business practices. However, it has both advantages and disadvantages. Today's descriptive outsourcing environment is filled with opportunities to enhance innovation and market competitiveness for forward thinking organisation. And, disadvantage related to hidden costs can also find its theoretical background in transaction cost theory. Anyway, outsourcing as in any other business practise should be applied carefully in order to achieve its advantages and disadvantages. As you can see, 2019 will be an exciting year for outsourcing as new technology.

References:

- (i) Koszewska, M., 2004. Outsourcing as a modern management strategy, prospects for its development in the protective closing market. Technical University of Lodz, Institute of world economy and Textile Marketing.
- (ii) Shy, O. and Stenbacka, R., 2003, "Strategic outsourcing", Journal of Economics Behaviour and Organization, Vol. 50, pp. 203-224.
- (iii) Quelin, B., & Duhamel, F. 2003 Bringing together strategic outsourcing and corporate strategy: Outsourcing motives and risks. European management Journal. Vol. 21. No. 5.
- (iv) Vining A., & Globerman, S. 1999. A conceptual framework for understanding the outsourcing decision, European Management Journal, Vol. 17. No. 6.
- (v) Ashley E. outsourcing for dummies. New jersey: Wiley Publishing: 2008
- (vi) Ankin SA, Rudaya IL. Outsourcing and outstaffing: high technologies of management. Moscow: Infra-M:2009.
- (vii) Fan LL, Ramchandran S, Wv YH, Yue ZN. Outsourcing in business: 2006
- (viii) Hirschleim R. Information technology outsourcing rethinking management information system. Oxford Univ. Press; 1998
- (ix) Liao KG, Reategui LA. Information Technology outsourcing in emerging markets. Massachusetts institute of technology; 2002.
- (x) Lacty MC, willcocks LP. Global information technology outsourcing in search of business advantage. England: John Wiley and sons Ltd.; 2001
- (xi) Axelord CW. Outsourcing information security. Artech House; 2004.
- (xii) Mcivor R. The outsourcing process: Strategies for evaluation and management. Cambridge University Press, 2005.
- (xiii) Wongleedee, K, 2016. An examination of International Tourists Destination Loyalty: A case Study of International Tourists in Bangkok. Suan Sunandha Rajabhat University. Journal actual problems of Economics 2017 PP. 41-44.
- (xiv) Rohan Bansali, Co-founder and director of Gozoop.