The concept of outsourcing

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Abstract: *Outsourcing is contracting with another company or person to do a particular function. To stay ahead of competition, control cost, increase quality and for innovative solutions company consider outsourcing. Now it has become popular and common practice among business professions these days. This paper analyzes the concept of outsourcing, causes, impact, advantages and disadvantages of outsourcing.*
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I.   Introduction

Outsourcing is one of the most discussed topics in India. It was not formally identified as a business strategy until 1989. The organizations which were not totally self sufficient, they outsource those functions for which they had no competency internally. In the 1990s, as organizations began to focus more on cost saving measures they started to outsource those functions necessary to run a company but not related specifically to the core business. Almost every organization outsources in some way. The outside firms that are providing the outsourcing services are third-party providers or called service providers. Currently, outsourcing takes many forms. The most common forms are information technology outsourcing (ITO) and business process outsourcing (BPO). ITO is a company's outsourcing of computer or Internet related work. BPO is the outsourcing of the work that does not require much of technical skills. The most common ITO services are application development and maintenance, infrastructure management, help desk, independent testing and validation, data centre management, managed security and cloud computing etc. And BPO services are payroll, human resources (HR) or accounting.

II. Causes Of Outsourcing

Companies make a variety of products for which they do not have all the resources or talent in his company to complete them for their final product. From here the concept of outsourcing comes into play. So they are forced to outsource. On the other hand hiring others to do particular jobs reduce the load and stress of the primary agent as well as ensure quality work by specialists in a given field. Since these specialists are focusing on a particular aspect of the business, the quality of the product is sure to increase. And all companies are happily satisfied by their business needs and desires. Today it is a more strategic decision. So, to reduce and control operating costs, improve company focus, access world class capabilities and freeing internal resources for other purposes are some causes for outsourcing.

III. The Impact Of Outsourcing

The impact of outsourcing on economy is very important. However, there are few people who are really interested or consider the impact of outsourcing on the society. One can notice and observe the change brought by the outsourcing services and institutions in Indian society. It can be both beneficial as well as harmful to the society. As a positive effect we can say that outsourcing industry has improved Indian economy primarily by employing a large number of people and building and maintenance of infrastructure. In outsourced projects the people in India get opportunities to know and work in multinational corporations. Even a good percentage of women workforce employed in the outsourcing companies. The role of women has consistently changed. They can better take care of their finances and career. On the other hand we are also losing on several cultural and traditional benefits. The outsourcing companies and projects emphasize on the foreign cultural values from where the original project has been outsourced. Holidays, day-to-day dealings, work culture are great importance on the social norms that are not part of our system in our country. We are slowly adapting to the change, accepting the dominant culture. So, we need to be careful of the depletion of our own value systems and customs. Being the world's second highly populated country, human resources are a boon by itself. India is proud of the abundance and easy availability of its highly qualified and technically skilled and English speaking professionals who are keys to success in different fields including information technology (IT) also to India.

Indians are very innovative to adapt new technologies and circumstances quickly. There are many positive effects of outsourcing to India . These are

- Increase scope of employment and creation of new better-paying jobs that are helpful to employees in the long run.
- Improvement in the standard of living of the people.
- Availability of better and quality services at low-costs.
- This helps in globalization and companies can manage the pressure that comes along with globalization. It reduces overhead.
- The company gets to focus and concentrate more on its core tasks.

IV. Why Outsource To India?

In a recent survey, 80% of European and US outsourcing firms ranked India as their number one outsourcing destination even though many other countries like China, Mexico, Ireland and the Philippines have emerged as major competitors. The National Association of Software & Service Companies (NASSCOM) also reported that almost half of all fortune 500 companies choose to outsource software development to Indian outsourcing firms. BPO role in India's economic growth is making a significant impact now. The driving forces for the increase in foreign investments through the BPOs in India are:

- Quality products
- Skilled sets and workers
- Cost effectiveness
- Quick turnaround time
- Assured data security

V. Main Factors For Successful Outsourcing

There are several factors for a successful outsourcing program:

- Before choosing a vendor to increase profits, stronger vendor relationships and higher customer satisfaction understand the company goals and objectives
- Select who will be leading the offshore team. If they have the required exposure and experience to fulfil the requirements then it can be guaranteed of a seamless transition of work and a successful outcome.
- The Service Level Agreement (SLA) is the most integral document in an outsourcing partnership. Here everything will be clearly written out, and there will be no space for confusion on any detail. There will be no ambiguity about the level of quality required for the services being offered.
- Pricing is usually the main motivation for outsourcing. So it should to check on the vendor's pricing structure and compare it with price offered by other service providers.
- Evaluate if the vendor is rigid or flexible in their approach. It is important for the vendor to be flexible enough to understand the concerns and offer possible solutions.
- Any service provider should be able to clearly understand what is required and also promptly reply to the queries. So that there are no delays in the completion of the project.
- If the vendor has appropriately qualified and experienced resources that will be competent enough to handle the day to day operations of the project efficiently and smoothly.
- Before signing an outsourcing contract visit the vendor's site to get the idea about the reliability of the vendor.

VI. Outsourcing Process

From the start to close of any outsourcing program, there are a variety of ideas and opinions about the purpose and scope of the program, about the final result of the program, and how the program will be carried out, and program agreement etc. There are mainly four stages - program initiation, service implementation, final agreement and program closure in a typical outsourcing program. In all cases success depends on different factors such as client's ability to manage service providers, executive-level support in organization for outsourcing and communication between affected employees in outsourcing.

VII. Advantages Of Outsourcing

There are many benefits of outsourcing in a business processes to destinations around the world. Some of them are:

- Concentrate on core process: Outsourcing the supporting processes gives the organization more time to strengthen their core business process
- Risk-sharing: Outsourcing helps the organization to shift certain responsibilities to the outsourced vendor. Since the outsourced vendor is a specialist, they plan risk-mitigating factors better.

- Faster and better services: The outsourced vendors have specific equipment and technical expertise than the outsourcing organization. So, the tasks can be completed faster with better quality output.
- Save on infrastructure and technology: The outsourcing partner takes the responsibility of the business process so the outsourcing eliminates the need for investment in infrastructure.

VIII. Disadvantages

- When an organization outsources HR, Payroll and Recruitment services a risk of exposing confidential company information exist to a third-party.
- Signing contracts with other companies may take extra time effort than legal time.
- Lack of communication between the company and the outsourced provider may delay the completion of projects.

IX. Conclusion

Outsourcing jobs is a natural evolution in global economy. But to take decision for outsourcing any company must satisfy some specific criteria. So, if the company have sufficient resources to provide the necessary capacity and expertise then outsourcing may not be necessary. This is an aspect that should be examined the resources of a company before an outsourcing decision is made. Outsourcing is not for every company but it is a necessary option for others.

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