

OUTSOURCING: THE MODERN CONCEPT OF WORK MANAGEMENT

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ABSTRACT

Outsourcing is the process of entrepreneurial practice for hiring outsider to perform any type of services or production. It may affect a wide range of jobs, starting from customer support to manufacturing process .it was priorly identified as a tool of business strategy in 1989 and became an integral part of business economics throughout the 1990s. Mainly business organizations use outsourcing as a tool to reduce labor costs, including salaries and other expenses for their personnel, overhead, equipment, and technology. So, we can say that out sourcing is one of the techniques for entering in to the contract with another organization / agency to operate or manage one or more of its business processes.

Keywords: Outsourcing, S.L.A., Business to Business (B2B), Business Process Outsourcing (B.P.O.).

Introduction

Outsourcing is the process of entrepreneurial practice for hiring outsider to perform any type of services or production. Which were primarily performed by any production house or service provider in his campus by the organizations with the help of their own employees and staff. Mainly Outsourcing is way of work culture adopted by organizations as a cost-cutting tool. It may affect a wide range of jobs, starting from customer support to manufacturing process.

Outsourcing was priorly identified as a tool of business strategy in 1989 and became an integral part of business economics throughout the 1990s. Although outsourcing process is always subject to controversy in many countries. They opposed that it has caused the loss of domestic jobs, particularly in the production sector. While the Supporters of outsourcing argued that it creates an additional incentive for businesses and organizations to allocate resources where they are most effective, and that outsourcing supports to maintain the nature of open economies on a global scale.

First seen as a formal business strategy in 1989, outsourcing is the process of hiring third parties to conduct services that were typically performed by the company. Often, outsourcing is used so that a company can focus on its core operations. It is also used to cut costs on labor, among others. Mainly business organizations use outsourcing as a tool to reduce labor costs, including salaries and other expenses for their personnel, overhead, equipment, and technology. Outsourcing is also used by organizations to focus on the core aspects of the business.

So, we can say that out sourcing is one of the techniques for entering in to the contract with another organization / agency to operate or manage one or more of its business processes. Nowadays almost all units in some form or other are resorting to out sourcing. It deals with the people and processes in and around the business. Business process outsourcing is not a new or novel concept. The outsourcing concept has been there in the Industrial sector (B2B) ages, any manufacturer is not capable to produce all the parts required for finished goods that he Manufactures. He collects many tools or items from other manufactures as per his specifications provided by him to his assisting concerns. Foe an

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example An Industry Manufacturing Refrigerator purchase so many components which are specific and produced by other manufacturing concerns. Some of them may be ancillary units. In other cases certain large industries outsource their entire operations and perform only assembling and branding the finished product as for as DELL computer.

Business process outsourcing may be categorized mainly three types:

- Off shore outsourcing when a B.P.O. agency is outside in a company's own country. It is known as off shore outsourcing.
- On shore outsourcing – where a B.P.O. agency is within company's own country, it is called on shore outsourcing.
- Near shore outsourcing – when a B.P.O. agency is in a neighboring country of the company outsourcing. It is called near shore outsourcing.

Now it is an essential to know that what kind of activities may be performed by any organization by the way of outsourcing.

- Maintenance and keeping of company accounts are some specific jobs which may be performed by the way of outsourcing, because there is requirement of some specific knowledge and training to perform such type of job.
- Customers query management (call centers) may also be managed by the way of outsourcing.
- Employees selection recruitment and training of personals may be occurred by outsourcing agency.
- Administration of pay roll and T.D.S. activities may be easily performed by the way of outsourcing.
- Marketing of products may be easily performed by outsourcing.
- Maintenance of machinery, computers and other electronic equipment's may be maintained by outsourcing called A.M.C.

Now come to the points that what are the benefits of outsourcing?

We can improve and enhance our customer services with the help of outsourcing.

We can better perform our job with lesser capital investment, Because there is no need of additional capital investment while using outsourcing in organization.

We can concentrate our self on brand building by the use of research innovation and quality control. We may enjoy competitive advantage by the use of outsourcing concept in our organization. We can re deploy our resources for the future planning. There are some general principles which must be in our mind while adopting outsourcing in any organization. We must think outsourcing as strategy in our organization. We should take up outsourcing as a part of change management or a business process re-engineering initiative. We must clear in what we expect from the services being outsourced. We should enter in to a clear service contract with the B.P.O. agency (outsourcer). We must include inputs and outputs, processes services standards, cost of service, time dead line, confidentiality clause in the contract. We must have regular meetings with the B.P.O. agency to know whether everything is on the right track.

Essentials of Out Sourcing

The basic essential is to match capability of the proposed system with the capability of the outsource. Good collaboration may create a huge value.

The next essential is the qualification. It involves source selection, source qualification, source evaluation and contract management. The next essential is the negotiation. Negotiation without source involves many steps, the objective of this process is to ensure an efficient contract. An efficient contract should specify all the parameters including responsibilities of the outsource. The next essential is buy in process. It includes the creation, management and approval of the contract.

The main advantages of outsourcing are time and cost savings. A producer of computers may buy internal components for its machines from other players to save the production costs. A legal consultancy firm may manage for store and back up its files by hiring the services a cloud-computing service provider,

Small and medium companies may decide to outsource book keeping job to an accounting firm, as doing it may be lower cost effective than hiring an in-house Accountant. All types of companies and other organizations may outsource the job of human resource departments, as well as recruitment payroll and health insurance etc.

At International level Outsourcing may help companies by the differences in labor and production costs amongst countries. Price discrimination in another country may seduce a business to relocate some or all of its operations to the cheaper country in order to increase profitability and make competitive within an industry. Mainly large organizations have eliminated their entire in-house customer service call centers, outsourcing that function to third-party outfits located in lower-cost locations.

Banking institutions may outsource its customer service operations. All customer-facing inquiries or complaints with concern to its online banking service may be handled by a third party.

Disadvantages of Outsourcing

The disadvantages of outsourcing include, security threats, communication difficulties where sensitive data is increasingly at stake, and additional legal duties. On a broader level, outsourcing may have the potential to disrupt a labor force. While privacy has been a recent area of controversy for outsourcing contractors, it has also drawn criticism for its impact on the labor market in domestic economies.

The Challenges of Outsourcing

The implementation part of Outsourcing is difficult and the failure rate of outsourcing relationships remains high. Depending on whom we ask, it may be anywhere from 30 to 60 percent. At the heart of the problem is the inherent conflict of interest in any outsourcing arrangement. The client needs better service, often at lower costs, than it would get doing the work itself. The vendor, however, wants to make a profit.

A service level contract (S.L.A) is a contract between an IT services provider and a customer that specifies, usually in measurable terms, what services the vendor will furnish. Service levels are determined at the beginning of any outsourcing relationship and are used to measure and monitor a supplier's performance. Often, a customer can charge a vendor a penalty fee if certain service level contract is not met. Used judiciously, that's an effective way to keep a vendor on the straight and narrow. But no CIO wants to be in the business of penalty-charging and collecting. Bad service from an outsourcing vendor, even at a deep discount, is still bad service, and can lead to greater problems. It's best to expend energy on finding out why the SLAs are being missed in the first place and working to remedy the situation. Strong SLAs alone will not guarantee success when outsourcing IT services. They're one of many tools to help manage an IT outsourcing deal.

The success or failure of an outsourcing deal is unknown on the day the contract is inked. Getting the contract right is necessary, but not sufficient for a good outcome. One study found that at least 25 percent of their total outsourcing contract value is at stake when it comes to getting vendor management right. A highly collaborative relationship based on effective contract management and trust can add value to an outsourcing relationship.

Conclusion

Out sourcing is the way of working. It is highly related with assisting others for their assigned job. The main concept behind it, is saving of money and time. The process of outsourcing is as much old as our civilization. In ancient era our needs were fulfilled by others assistance. There are a lot of examples Of outsourcing in Indian economy. Our economy was self-sufficient and self-centered. Today

outsourcing is an integral part of many organizational concerns. Many organizations are accepting out sourcing technique to enhance their productivity and quality assurance. many organizations are outsourcing service providers for their research and development work. Today's democratic Governments are also hiring the services of outsourcing for the implementation of many welfares' schemes

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