Outsourcing: A Contra Recruiting Trend

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Abstract: With the changes in corporate world over the last decades, including the extensive use of technology, many of the activities are transformed and even various newer concepts have been adopted in the working of the businesses. Indian organizations too had to be responsive to swiftly changing business environments. It is known that basic functions of any business are production, marketing, finance and human resource management. To start a business and to run it on continuous basis, these four functions need to be carried on daily basis. With the advent of time, various activities related to these basic functions have gone under change. Previously it was considered that all activities should be performed within the premises of the organization with its own personnel. For this very purpose, individuals were recruited and were tried to be retained in the organization. Complete professional and financial care of such recruited individuals was the prime responsibility of the organization. With passage of time and increasing scarcity of resources, the organizations are pressurized to cut down total cost related to various business activities. At this point of time, companies started looking for cheaper sources of resources and also for getting the activities done at lower cost. For example, a company may not undertake the work of publicity and advertising by itself but may prefer to hire an agency for the same. Similar practices were adopted while managing human resources. Like, the companies do not spend time in recruiting individuals but hire an agency for the same. Similarly, after sales services are not done by the company personnel but provided by some hired agency. This article focuses on the comparative analysis of outsourcing business activities and carrying on the activities within the organization by its personnel.

Keywords: Outsourcing, Hiring, Recruiting, Human Resource Management.

1. INTRODUCTION

With time, Indian business models have adapted to the changes in various business activities. Specially, technology has deeply invaded into most of the processes. No doubt, technology has made the processes efficient and effective but it has also made the businesses to be carried out in different manner, specifically with the introduction of internet. One great achievement of the use of internet is the enhanced accessibility without geographical limitations. This has made the businesses look beyond the national boundaries to find markets or to establish manufacturing facilities etc. Awareness has increased regarding recruiting and retaining employees can provide organizations with sustained competitive advantage. [1] An organization's competitive advantage is its ability to create more economic value, in comparison to its competitors, for many years to come. This helps the organization to stay ahead in the competitive market. [2] It is also possible to shift manufacturing of the product or of some parts to some other nation in order to save cost in long run. It is also possible to shift the call centre of the company to some other nation where it can operate in less cost. This is similar to hiring the services of exerts or professionals as every expert cannot be hired by the company. When a company gets its work done from some other person or agency from outside to the company or gets some part of the whole product manufactured outside the company, it is called as outsourcing. A very simple example is of security guards. Companies usually hire the services of some security agency in spite of recruiting security guards. Outsourcing is a very common phenomenon with Indian business organizations now-a-days. Even many of the foreign business organizations are outsourcing their activities to Indian organizations. Call centers of foreign companies being operated in India, are very simple example of outsourcing. Outsourcing is thus, hiring of services of any person or agency or organization outside the organization, on contract and payment basis. It is on regular and usually on long term basis. It is well known fact that organizations cannot work without employees. Success of any organization is because of its employees' work and dedication. It is because of employees only that the terms like career, career path, career planning, succession planning, executive development, employee welfare and many more are important. It is only due to employees that there are a dozen of laws related to employee management, their compensation, retirement etc. are to be complied with. What if the organizations do not have employees but work is successfully done. This is termed as outsourcing. Once a particular activity is outsourced, the number of employees needed is reduced. This has positive impact on total cost of operations. Outsourcing is the trend being followed by the organizations these days. This enables the organization to carry on various activities simultaneously without hiring large number of employees. The decision regarding

outsourcing any activity would depend on a number of factors, quality specifications being the prime most concern.

2. OUTSOURCING – THE CONCEPT

Each and every organization looks for manpower that is capable of performing the business activities of the organization and achieves the organizational goals. At each and every level and for almost all organizational activities, manpower is needed. [3] The recruited individuals become the employees of the organization. These employees conduct various organizational activities.   These activities are conducted within the organizational premises by the employees of the organization. Any activity related to the business of the organization when carried by a person or an agency not belonging to that organization, outside that organization, in lieu of payment, is said to be outsourced. Outsourcing is the practice of hiring a party outside the organization to provide services or to manufacture goods, which was previously being done on company's premises by its own personnel. [4] The main characteristic is that it is not conducted by the personnel of the organization. Outsourcing is when the source of the activity is outside the organization. It is a contract of providing the services or manufacturing the goods, as per the specifications of the organization who is outsourcing the activity. Outsourcing is done in order to reduce the total operational cost. It is also done for the activities which are not related to the core business of the organization like, cleanliness, security, gardening etc. and also for different activities related to the core business of the organization like, handling sales queries, after sales services, use of ERP system, accounting, publicity etc. Outsourcing reduces the company's total cost significantly. Outsourcing is really helpful to the organizations with certain drawbacks it has. It relieves the organization, of many responsibilities. Outsourcing is done with the objective of cost-reduction and to take advantage of off-shore labour[5].

3.ADVANTAGES OF OUTSOURCING

Outsourcing has many advantages due to which it has gained popularity among Indian companies. Indian companies are even doing the work being outsourced by other countries. The biggest advantage to the organization which is outsourcing the work is the relief from recruiting a large number of employees or specific types of employees. After recruitment, the company has to spend on training, employee welfare, increase salary annually, incentives, promotions, retirement benefits etc. Outsourcing relives the company from all such expenses. In fact, the cost of hiring an employee for lifetime and managing him involves heavy cost.

Outsourcing relieves the organization from recruiting the individuals for specific jobs. Then there are issues like employee turnover, conflict management, talent retention etc. Outsourcing also removes all such issues. Outsourcing also helps in the situation of requirement of specialized skills. For example, if lawyers are needed then a company may hire a lawyer firm rather than recruiting lawyers. This helps in getting the specialized services at lower cost. Outsourcing is advantageous in saving time and efforts. Once an activity is outsourced the organization does not have to spend time on it or to make any effort in completing that job. Outsourcing saves time as many jobs can be performed simultaneously at different locations. Thus, it increases efficiency of the organization. Outsourcing also increases the access to the pool of subject experts who are not possible to be recruited or are really specifically skilled in their job. The experts might also be from some unrelated field but needed by the organization for some time. [6] Outsourcing gives access to the expert skills, as the job is done by the individuals who are trained in that specific job. By outsourcing some activities the business can focus more on the core activities as it has time. Outsourcing also share the risk associated with different activities and the business as well. It also allows the business to run on 24X7 basis. It also gives the advantage of time zone. The other organization can work in a different time zone giving the advantage of completion of outsourced work when the outsourcing organization comes back to work. The organizations do not have to commit infrastructure in case of outsourcing. As the activities are outsourced the requirement of continuous monitoring is also relaxed. It also helps in providing high quality services or goods. The biggest advantage of outsourcing is that it increases the overall profitability of the business. It increases the turnover of business. Outsourcing allows the organization to have flexible staffing as it can always enter into the contract with another firm in time of requirement and otherwise, it is out of contract. [7] The business organization is able to achieve more by outsourcing. Thus, it is observed that outsourcing has many advantages. Cost and quality conscious companies are usually outsourcing their activities considering its advantages.

4. LIMITATIONS OF OUTSOURCING

Every coin has two sides. There are pros and cons related to almost all activities and so are with outsourcing. The advantages have already been discussed above and now an effort is being made to highlight some limitations of outsourcing. The very first issue is of loss of control over the activity

being outsourced. If the activity is performed off the campus, it is actually difficult to monitor it on continuous basis. Neither it is possible to appoint our personnel at other's premises. However, if the activity is conducted at company's campus, supervisor can be appointed for monitoring. The degree of control is highly affected once the activity is outsourced. The control is lost on every aspect of the activity outsourced. Control on the way activity is carried out, control on sequencing, control on momentum, control on budgeting, control on manpower, control on quality, control on deliveries etc. is almost completely lost. It may also happen that the agency or person to whom the activity has been outsourced resort to cost cutting measures that may lead to deterioration in quality. This is in fact a measure issue with outsourcing as a pre decided amount is paid as per the contract and the person or agency may not be willing to spend much or at least, it would try to cut the cost to maximum possible extent. This would affect the quality, in turn. Quality of the services rendered or the product manufactured becomes a critical issue while outsourcing. There has to be an acceptable quality range, prior to signing the contract. Another limitation is of lack of passion in the personnel of the organization to whom the activity is outsourced. In the absence of passion, it is not possible to achieve many objectives like objective of quality, objective of least waste, objective of maximum productivity etc. Passion has to be there to achieve all these and many other organizational objectives. Lack of passion can be due to many reasons like under paid employees' work is not of choice, lack of training, lack of awareness, lack of interest etc. These reasons need to be overcome in order to generate passion. Lack of passion gives way to negligence. Negligence may result into poor quality, decrease in productivity, interpersonal conflicts, poor morale etc.

In some of the outsourcing activities, confidentiality of data and information needs to be maintained. As the organization outsources an activity, its confidentiality comes at stake. The organization is at the risk of exposing the confidential data to the outside work. [8] Such data and information which is crucial from the viewpoint of secrecy cannot be leaked. Even the vital information like organizational strategies, budgets etc. cannot be shared with outside world. Confidentiality is thus a measure issue while outsourcing. Outsourcing also has the disadvantage of losing control on many activities. When activities are performed by own employee, at organization's own premises, the degree of control is more. Even when the activity is performed by other agency at organization's premises, the control can be exerted to certain extent. But when the activities are completely outsourced, it is difficult to exert control in terms of quality and time being taken. It is more so in case of customer service or after sales services. Outsourcing may involve some legal issue pertaining to patents, copyrights, IPRs etc. These issues need to be taken care in order to comply with the legal requirements of the business concerned. It may also be possible that to whom outsourcing is done, also acquires business from other organizations and may be from the competitors. This may jeopardize the working of the organization which is conducting the outsourced activity or even the existence of the organization which is outsourcing. If the outsourcing is done beyond the boundaries of the nation, there can be n number of issues like cultural differences, gaps in work timings, difference in office cultures, gap in ethical values etc. In case of outsourcing beyond the national boundaries language may also prove to be a measure barrier in communication. If the language is not understood, there cannot be any communication and then, work cannot be done. Language differences can pose measure problems as words may have different meanings in different languages. Thus, it is noticed that outsourcing has many limitations.

5. OUTSOURCING V/S HIRING

It is said that hiring means right person at right place at right time. Once an individual is recruited, he becomes the liability of the organization. He is to be paid salary and perks, he is to be offered a proper career path, increments, promotions, retirement benefits and many other things. A lot of money is spent in managing the employees. Out of all the resources owned by the organization, human resources are the most important ones as they pursue organizational activities and achieve organizational goals using other resources. [9] If the cost of hiring and retaining employees is compared with the cost of outsourcing, the cost of outsourcing would be lower. The gap between the two encourages the organization to outsource. However, it is worth mentioning that the employees of the organization supposed to be more loyal and passionate. It is well known fact that hiring employees would prove costlier to the organization. The organization should very carefully compare the benefits and losses of hiring employees and of outsourcing the same activity. If it is found suitable to outsource the activity from all the aspects, then only outsourcing should be done. Not only the financial aspects but also all non financial aspects related to the outsourcing of the concerned activity should be analyzed in detail prior to finalizing the decision of outsourcing as in some cases hiring the employee may prove beneficial while in some cases

outsourcing may give better results. There is no doubt that outsourcing is a cost effective measure but it should be weighed cautiously against the cost of on campus operations by own employees and the level of quality needed, prior to deciding about the outsourcing a particular task.

6. CONCLUSION

Outsourcing is the act by which the organization enters into the contract with a person from outside the organization or with another organization to get a specific task done by the latter one in lieu of some pre decided payment. The contract also contains other terms and conditions with respect to the conduct of the task. Outsourcing proves beneficial if the organization wishes to remain smaller in size and wants to curtail cost of managing human resources and to minimize overall operational expenses of the organization. Outsourcing is also done in case of specialized jobs as it is always not possible to employ experts and carry them on the pay rolls of the organization. In such cases it is beneficial to outsource the concerned task. Outsourcing is also beneficial in case of trivial activities, on which the organization does not want to spend time. For example cleanliness is not related to the core business of many organizations. Usually this activity is outsourced by many organizations. Many of the times an activity related to the core business of the organization is also outsourced. When core business activity is outsourced, the objective is to save cost or to take advantage of some specialized skill. Outsourcing should be done with caution. It is not so that if the organization is not willing to perform an activity, it can be outsourced. Unless and until a comparison of

cost has been made between the cost of hiring and cost of outsourcing and outsourcing is found profitable, out sourcing should not be considered. Even if outsourcing is found financially beneficial, other non financial factors should also be considered before deciding in favour of outsourcing. Contract of outsourcing should also be framed cautiously as afterwards it is usually difficult to control the activity. Outsourcing is beneficial in taking advantage of some specialized skill or expertise. The required specifications should always be kept in mind while outsourcing. In order to extract full advantage from outsourcing, it is imperative that the contract is executed with highest care.

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