

Outsourcing vs Offshoring or the Need for Both in the Present Context

Karpagavalli S

MBA, Loyola College, Chennai, India

*Corresponding Author Email: sriramkarpagavalli@gmail.com

Abstract

Nowadays, outsourcing and offshoring are taking huge responsibility for the enhancement of an organisation's performance. It helped to decrease the organisational operation cost for maintenance of the business profitability. Implementation of the change management policies helps to make changes to the organisation's performance. Focusing on the organisation's key areas helps to eradicate the organisation's challenging situations. This project has mentioned the impact of offshoring and outsourcing on an organisation's decision-making process. A primary quantitative data collection process has been used for the collection of authentic information. The recommended strategy will help to eradicate the risk factors of outsourcing and offshoring strategies for the enhancement of business stability.

Keywords

economic standard, Offshoring, operation cost, outsourcing, production rate,

INTRODUCTION

Outsourcing and offshoring are becoming popular to enhance the organisation's profit margins to decrease operational costs. Outsourcing is beneficial for increasing efficiency by decreasing the product's cost. Entrusting *third-party vendors* is important to work on the organisation's specific criteria. Outsourcing is enabled to save cost with the maintenance of the product's quality. Equally, it is significant to enhance efficiencies with the entrusting of business processes. Moreover, it allows the company to focus on the core areas for improvement of resources and energy. In the case of offshoring, it helps to enhance the organisation's potential in a foreign country. Offshoring is enabled to provide enough support to the company by reducing the risk factors of the organisation. Offshoring is important to reduce the manufacturing cost for enhancement of employees' skills. It is significant to provide long term and short-term benefits to the company for focusing on the business growth strategies.

Outsourcing is a stage when a business administration negotiates a contract with a third party for focusing on specific activities. In case of offshoring, the company decides to send an "in house job" to perform in another country. As per example, most of the US-based companies produced products in Mexico. It determines the effectiveness of the Offshoring. There are numerous advantages of implementing offshoring for improvement of the business performances, such as lower risk, lower cost and thinking flexibility for improvement of the business stability. Implementation of outsourcing and offshoring is essential to reduce the organisation's risk factors. This research project will focus on the impact of outsourcing and offshoring in an organisation's decision-making process. Apart from advantages, there are some risk factors of outsourcing and offshoring; these risk factors will be discussed in the literature review section.

Outsourcing and offshoring are equally important to reduce the cost of the products for increasing profitability. The offshoring process is used to reduce the risk of the company by allowing innovative ways to enhance the organisation's productivity.

LITERATURE REVIEW

The impact of outsourcing and offshoring in the decision-making process

Evolving outsourcing and offshoring make a significant impact on the organisation's decision-making process. According to [6], implementation of the theoretical securities is essential to modify the traditional cost transaction for the development of innovative business plans. Implementation of knowledge-based theories is essential to influence the organization's resource management process. It is significant to make several changes in the decision-making process. Technological advances and automation processes helped to expand business in foreign countries to secure the organisation's profits. Implementation of outsourcing and offshoring is necessary to implement government policies for the improvement of the organization's infrastructure. India, China and the Philippines have emerged as advanced economies for the enhancement of economic development.

Offshoring decision is driven by infrastructure cost and cost advantages in the company for enhancement of the country's profitability. Apart from numerous advantages, it has been detected that taking the decision to use offshoring has increased different challenging situations, such as loss of securities, poor infrastructure, intellectual property issues, inadequate protections and many others. According to [2], nearly 1700 manufacturing companies have taken the decision to implement outsourcing for reduction of labour cost and production cost in the organisation. Many IT Indian industries have adopted outsourcing since 1990. Apart from

IT companies, numerous big corporate companies such as **American Express, British Airway, and Texas Instrument** have implemented outsourcing for the enhancement of **Gross Domestic Products (GDP)**. Outsourcing has developed an involved economic activity that made positive and negative consequences in the economic sector. Implementation of outsourcing and offshoring in the business helped to enhance the 19% domestic sales rate. Moreover, it has provided enough job security to the people for enhancement of the business profitability.

Risk factors of outsourcing and offshoring in the present context

Outsourcing and offshoring have been defined as effective management tools for the enhancement of the organisation's reputation and brand values. According to [4], apart from numerous benefits, significant risk factors have been detected to restrict the brand reputation. The risk factors would be mentioned in the following section.

Transition risk

Outsourcing transition is responsible for increasing challenging situations due to insufficient resources and a proper budget plan in the organisation. According to Zhang *et al.*(2018), IT outsourcing requires proper discipline and planning to meet commitment between shareholders and consumers for effective business performances.

Competitor risk

Offshoring is enabled to transfer valuable information and intellectual properties to foreign countries. Eventually, it is responsible to introduce unethical competition between different countries. According to [8], the involvement of offshoring was responsible for increasing competition between China and America. American automakers took decisions to sell **Chinese automobile** products in the US market. Eventually, it will have a negative impact on the domestic market share rate. On this contradiction, it provides an opportunity to gain competitive advantages with the help of offshoring and outsourcing decisions.

Confidentiality and security risk

Implementation of outsourcing increases confidentiality and security issues in the organisation. It is responsible for increasing different challenging situations such as medical transcription issues and payroll issues in the organisation.

Performance risk

Extension of supply chain due to outsourcing and offshoring enhances different challenging situations in the Indian organisation. Moreover, it is highly responsive to reducing the organization's flexibility for maintenance of the business performance. According to [11], providers could be affected by terrorism, and it increases interruption and entertainment. In addition to this, offshoring and outsourcing reduce the opportunity for corrective actions. Moreover, it is responsible to raise communication gaps and cultural issues for decreasing performance stability in the organisation.

The role of change management process in offshoring and outsourcing

Nowadays, it has been detected that, implementation of the **change management policy** between organisation and client. It is important to ensure the organisation's productivity by the implementation of the employees develop rapport. According to [9], implementation of the change management programme is required to improve employees' satisfaction levels. Development of the natural resistance helped to develop collaboration among the employees to secure the g employee's retention rate in the organisation. Change management authority takes the responsibility to introduce effective training programmes for maintenance of the business performances.

Apart from these, implementation of outsourcing and offshoring is equally important to maintain transparency and safeguard policy for securing business stability. An outsourcing plan is beneficial to develop leadership skills to make significant changes to the organisation's performance. According to [10], the implementation of the change management programme is required to develop collaboration between outsourcing agencies and clients in the organisations for securing business profit rates.

METHOD AND MATERIALS

The method and material introduced with innovative techniques and processes to collect authentic information on outsourcing and offshoring in the current situation. The **Primary quantitative data collection method** has been used to collect information on the impact of outsourcing and offshoring in the present context. According to [7], the Primary data collection method is based upon a mathematical calculation. The mathematical calculation or the statistical data is essential to identify the organisation's profitability rate. Methods of regression, correlation and identification of the mean, mode and standard deviation are essential to identify the impact of outsourcing and offshoring in the present context. The primary data collection process helps to



Figure 1: Impact of outsourcing and offshoring in India (Source: Rosenbusch *et al.*2019)

identify the sales rate, market characteristics and consumer's programme after adaptation of outsourcing and offshoring for enhancement of the economic transaction rate.

During the primary data collection method, on the offshoring and outsourcing in the organisation. According to [1], the quantitative method is more inexpensive than the qualitative data collection method. There are two different kinds of data analysis, such as quantitative data analysis and qualitative data analysis. *Quantitative data analysis* has been used to identify the impact of offshoring and outsourcing in the current situation. Moreover, a higher level of standardisation helps to maintain accuracy in the data collection process. Moreover, the quantitative data analysis is important for the critical analysis to interpret numbers and growth rate of the organisation's profitability. The appropriate data collection method helped to maintain the ethical values for further use.

EVALUATION AND DISCUSSION

Implementation of outsourcing and offshoring is important to work as strategic assistance for the enhancement of the employee's performances. Indian small and medium manufacturing companies have implemented outsourcing strategies for making significant changes to the organisation's profitability. Apart from India, Europe, the USA, UK and Australia have decided to implement outsourcing strategies for making significant changes in the economic transaction.

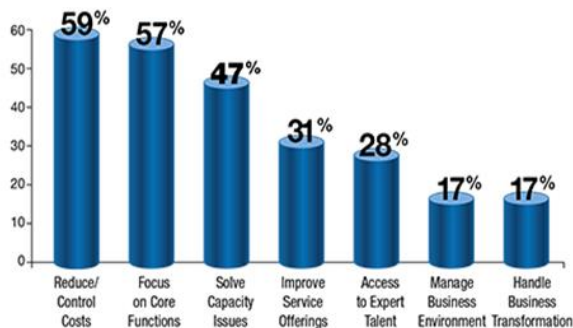


Figure 2: Company's outsourcing in India
(Source: Lojacono *et al.* 2017)

As per the above-mentioned strategy, technological innovation helped to reduce the production cost for improvement of the business stability. According to [3], the production control rate reached 59% and outsourcing has focused on 57% of the core functional area for enhancement of the organisation's performances. The automation process and periodic innovation helped to enhance business performances for securing the organisation's economic stability. Employee's performance skills have increased nearly 28% to make appropriate decisions to penetrate business in the foreign market.

Apart from offshoring, outsourcing helped to make significant changes in the Indian manufacturing business. Outsourcing made a huge impact on the organisation's operational activities. According to [5], Unilever is able to

save the operation cost nearby € 700 million, it helped to increase employee's skills to make appropriate decisions for organisation's performances. Moreover, outsourcing helped to increase manpower skills in the organisation. In IT-BPM, manpower has increased from 50 million to 150 million (). It denotes the effectiveness of outsourcing in India.

Apart from these, the implementation of outsourcing is significant to increase flexibility in the organisation. It is beneficial to prioritise the change management process for securing business stability. Competitive advantages have been increased to secure business profitability. Offshoring and outsourcing have made a huge impact on securing an organisational challenging situation in India.

RECOMMENDATION AND CONCLUSION

Recommendations

Adaptation of *robust government strategies* is important to get positive financial results for securing business profitability. It is essential to go through the pre-contract phase for eradication of the offshoring and outsourcing challenging situations.

Involvement of the *vendor management process* is essential to take appropriate strategic approaches for innovative business strategies to facilitate the employee's performance skills.

Apart from these, the implementation of *a multi-vendor strategy* is needed for the reduction of dependency skills in the organisation. Implementation of *collaborative and strategic partnerships* is needed for the enhancement of business performance.

Technological innovation is important to improve the cost management process to penetrate business in foreign markets.

Apart from this enhancement of the *domestic product's cost* is important to eradicate the challenging situations due to offshoring and outsourcing in the small, medium and multinational organisation.

Conclusions

Outsourcing and offshoring both are equally important for the enhancement of an organization's profits. Numerous small, medium and large companies developed outsourcing and offshoring strategies for technological advances in the organisation. Implementation of offshoring and outsourcing helps to reduce operating costs and increase employees' performance skills in the organisation. The introduction has provided a general view on outsourcing and offshoring in the organisation. The literature review has focused on the impact of outsourcing and offshoring on the organisation's decision-making process. Outsourcing and offshoring are beneficial to implement change management strategies for the improvement of the organisation's capabilities.

The primary data collection process has been used to collect information from authentic existing journals. The inclusion and exclusion criteria have been mentioned in this project for justification of the data collection process. The

evaluation and analysis portion has discussed the authenticity of offshoring and outsourcing in the Indian market. The recommendation section has provided innovative strategies for the improvement of the organization's production rate.

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