

Effectiveness of outsourcing HR activities in IT industries

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ABSTRACT

Outsourcing is defined as “transfer of the management or administration of a process or function from in- house staff to an outside service provider”. It is the process of transferring responsibility for an area of services and its objectives is an external provider. Outsourcing assumes greater significance in countries that are in the throes of economic reforms. It is the new title given to the old age decision-making model called ‘makes or buys’. Outsourcing has become an effective strategy to get various functions performed by a third party in manufacturing and service organizations, which are otherwise administered in-house. The power of outsourcing lies in its potential to help organizations to reorient their entire way of doing business. It has become an accepted tactic to lower costs and to gain competitive advantage by employing a specialist organization which is able to provide a category of service more efficiently than through in-house provision. Today’s competition is truly global and businesses compete across industries. The software industry particularly in India is one of the fastest growing Industries. NASSCOM’s survey indicates that the industry registered an overall growth of 55 percent. In response the HRM function has emerged as complex activities in IT industry. Factors like new technologies, highly qualified technical manpower, small and lean organizations have all contributed to the situation. Rapid and bureaucratic style, traditional bargaining skills are no more effective in emerging scenario. The HRM function has to constantly redefine and realign conventional practices on a proactive basis. From HR point of views, certain areas of concern appear to exist and are special concerns. In the world of huge competition, there are big competitors trying to expand their market share. This paper is intended to provide better understanding of the methodologies that the companies use to outsource their HR activities in general and in special reference to IT companies in particular.

1. INTRODUCTION

Outsourcing is entering into Indian industry in a big way with a large corporate trying to provide outsourcing services and backed by brand name and reputation. Outsourcing promises to be an area of high competition and large future prospect. So companies are trying offload as many activities as possible to outsourcing agents as this reduces costs and save time and provide expert services [1]. The literature suggests that the degree to which organization outsource various HR activities considerably; for instance, all or part of an organization management system might be outsourcing. An organization might outsource all of its staffing or perhaps only external recruitment [2]. This study includes the various strategies adopted by companies to minimize cost, save time, get quality services of HR activities and is an in depth analysis of how companies outsource their HR activities.

Deciding what to outsource required a systematic approach. In this context main issues arises [3] are:

- Which areas within the organization are not core?
- What are the best candidates for outsourcing?
- What are the sets of services: the set of capabilities that want to go outside for?
- Who is capable of delivering the services that are looking for?
- Which of the potential service provider are world classes?
- Do integrate requirements and go with a single provider or do separate them and put together a group of supplier?
- Where will get best return on the investment from an outsourcing decision?

2. Materials and Methods

The study is intended to:

- Provide a better understanding of the outsourcing
- Provide a better understanding of the methodologies that the companies use to outsourcing their HR activities
- Includes the various strategies adopted by the companies to minimize cost to HR activities through outsourcing
- Influence of outsourcing on employees
- Analyze the degree to which organizations outsourcing various activities

- Evaluate the capability of delivering the services that the companies are looking for
- Analyze where the companies will get best return on the investment from the outsourcing decision

Sample survey technique was adopted for this study. Fieldwork was carried out to collect necessary data from Bangalore. Convenience sampling and a limited firm in IT industry with a sample size of 20 firms was used. Both primary and secondary data was collected for the purpose of analysis. Data collection tools has been collected through questionnaire and also had discussion with IT Companies and service providers.

3. Analysis and Discussion

Broadly, outsourcing provides two categories of services: IT Outsourcing (ITO) and Business Process Outsourcing (BPO). In the era of sophisticated practice management technology, more practices are outsourcing the IT functions. Information Technology capabilities have grown in recent years and so has the methods of delivering them. Numerous outsourcing options are available at present for small and medium size organizations. These options can be grouped into three categories: (a) Application Service Provider (ASP), (b) Business Service Provider (BSP) and (c) Management Service Organization (MSO).

Outsourcing has to do with web marketing in order to cope with the pace of change in in-house. Creation of customer loyalty programmes, inculcating customer oriented culture and training of employees are some of the activities that would enhance the capabilities of the organization. Similarly, the area of distribution logistics and supply chain management ideally lend themselves to being outsourced.

Marketing outsourcing is the utilization of external marketing expert for the prime purpose of providing a company with marketing expertise, without needing to add the internal fixed overhead [6]. Outsourcing provides a new and efficient alternative by offering the company flexibility controlling just how much time and money it wants to allocate to the marketing function, and have a high level of quality expertise and experience [7].

In the present world of modern complex IT solutions, intense completion and global expansion, many organization have started realizing that they cannot themselves do everything. The need to focus limited capital resources and management attention on core areas of expertise has accelerated outsourcing of non- core non- strategic activities to business partners who have the expertise in a specific service or function [8]. In a number of cases the delivery of IT services internally results in a non- strategic area of competency for a lot of companies and outsourcing appears to be an appropriate decision [9]. More precisely outsourcing helps to reduce and control operating costs, improve company focus, gain access to world class capabilities, free up internal resources for other purposes, obtain resources not available internally, accelerate reengineering benefits, deal with a function that is difficult to manage or out of control, make capital funds available, share risks and obtain cost information.

In selecting an outsourcing partner, it is advisable to look into the main qualities like:

- Board technical coverage
- Realization of improved service metrics
- Product-specific expertise
- Lower service costs
- Appropriate geographic coverage
- Appropriate hours and days of coverage
- Financial status and performance of the partner
- Infrastructure facilities of outsourcing partner including power, telecom services, roads, employee transportation, etc,
- Understanding of the key human resources handling the programme outsourced.
- Well-documented information review and control system.

3.1. Future of outsourcing in India: IT and Business Process Outsourcing are no longer merely a matter of sourcing services when the organization is under pressure to cut costs or the internal resources fall short. Developing countries depend a great deal on outsourcing to gain from the advantage of scale and skill and to complete in the global scenario especially with the developed nations [4]. Increasing number of organizations regard outsourcing as an enabler to business strategies designed to achieve market- leading performance, new revenue streams, new customer reach, new routes and speed to market. In fact, corporate giants in the US Europe and Japan rated India as their number one choice for outsourcing and thus have high prospects in this area [5].

The IT enabled services like business transcription, medical transcription, legal transcription, back office operation, abstract preparation, forum processing, talk forums, data documentation translation, counseling call centre, customer contact centre, help desk, technical support, credit card processing, accounting serves, payroll preparation, claim processing, insurance claim assessment, data capture, data entry, pre-press support services, Geographic Information Systems, website design and maintenance, litigation support services, legal data mining, legal animation, industrial animation, remote secretary ship, back office banking, airlines accounting interactive web publishing, collaborative writing, digital graphics animation, illustrations, medical billing, coding, CAD services, picture restoration, cultural research support, logistics support, remote surveillance, database creation, market surveys, CBT software, online education, online video games, computer games, online lottery, web security, lost data recovery, technical writing, investigation agency, real estate consultancy, news paper scanning, company formation, magazine consultancy, educational consultancy, marriage counseling, legal advice, resume writing, speech writing, and subtitling have vast potential for development in India. However, the success of these ventures depends heavily on

entrepreneurial spark, capabilities to handle English Language, sound domain knowledge (in areas like Tax, Accounting, and Law and Insurance) and conducive work culture.

4. Conclusion

Total outsourcing of IT services offers a quick solution to restructure the government services in the shortest time frame by taking advantage of the skills and resources of the private sector. However the real advantage emerged only when the exclusivity of governance challenged by creating a tripartite partnership among the government, citizens and the private players. Outsourcing helps the government, to make right selection of technology. The private partner can design the right architecture for the cost and revenue models that can bypass the mountains of inherent legacies of government system.

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