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Outsourcing– The Dark Side

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Abstract: *The last decade has seen tremendous growth in use of internet and mobile phone in India. Increasing use of internet, mobile penetration and government initiative such as Digital India are acting as catalyst which leads to exponential growth in use of digital payment. Electronics Consumer transaction made at point of sale (POS) for services and products either through internet banking or mobile banking using smart phone or card payment are called as digital payment. The consumer perception of digital payment has a significant and positive impact on adoption of digital payment. The structured questionnaire was used as research tool for understanding consumer perception of digital payment. Primary data was collected from 150 respondents in Delhi. ANOVA and frequency analysis was used to analyze the responses. ANOVA indicate that there is no significant variance in consumer perception based on the demographic factors such as gender, age, profession and annual income of the patients. However education was found to significant influence for adoption of digital payment*

Keywords: Cashless Transactions Consumer Perception; Digital Payment;Digital Wallets

I. INTRODUCTION

Outsourcing is the process of contracting a business function or any specific business activity to specialized agencies. Mostly, the non-core areas such as sanitation, security, household, pantry, etc are outsourced by the company. The company makes a formal agreement with the agency.

The agency then sends the manpower required to the company. The agency charges the company for their services and in turn pays wages to their employees. Global competition has given rise to outsourcing. With the help of outsourcing, companies can focus on their core areas which leads to better profits and increase the quality of their product.

As a business owner, outsourcing may be a viable option for your company. But before you make any decisions, it's important to have the right outsourcing agreements in place to protect your business interests.

As per a latest Global Outsourcing and Insourcing survey, 48% of companies had previously terminated an outsourcing contract, primarily due to concerns with service quality. In addition, 24% indicated a less-than-satisfactory rating for their most recent outsourcing initiative. The survey reflected the views of 111 executives from companies with median revenue between $1 billion and $5 billion, spanning 23 different countries.

THE DARK SIDE OF OUTSOURCING

The initial cost-saving benefits of outsourcing can be misleading, as it often takes some time for the negative impacts to make themselves known. By the time management realizes that outsourcing isn't always the ideal situation they thought it was, the company's reputation may take a hit. While outsourcing to overseas providers has its own unique set of challenges, even domestic outsourcing companies can negatively impact your business.

1.Reasons for outsourcing

1. Possibility of Weak Management

If cost or quality problems are due to inadequate economies of scale, outsourcing can make sense, although there may be internal solutions available through centralized rationalization. Collaborative joint information processing ventures with other similar companies are another option. However, whatever option a company adopts, there is still a need for capable executives who know how to manage operations so that they can be informed buyers and demanding customers. If the company selects outsourcing, the executives also have to know how to manage contracts and relationships with third parties.

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2. Inexperienced Staff

Outsourcing businesses do not necessarily have either the best expertise or solid experience. What is worse is that in facilities management contracts with even the most established service businesses, the customer's staff may go work with the vendor. Since some of the largest outsourcing contracts were initiated to transform a resistant and inexperienced staff, this risk becomes even starker. Even the boldest company would try to transfer some of its staff to the vendor to ensure some continuity of service and knowledge in the short run.

3. Business Uncertainty

If a firm decides to outsource services because of costs or focus, it is assuming that its future direction and needs are clear. when cost is the driver of outsourcing, or converting fixed costs to variable costs is the declared aim, it is likely that the company will sacrifice crucial competences or capabilities. One multinational corporation that has grown through acquisitions and successfully assimilated acquired operations not only achieved economies of scale by centralizing operations in-house but also improved the acquired companies' management capabilities.

4. Outdated Technology Skills

If cost reduction is the objective in an outsourcing deal, the hope is that the current cost base is reduced and that, over time, there are further cost reductions due to learning and technological change. Indeed, a company can build these improvements into the contract at the outset or negotiate them at annual reviews. However, if the vendors' skills do not advance, the cost-reduction potential is lessened, and unless further market testing is done, target setting is suboptimal. The option then is to find another vendor. However, as one company recently discovered, alternative suppliers are rare, especially for a large-scale contract. The market is immature, and the more that legacy systems are outsourced**, the** more the market will be frozen in old technology.

5. Hidden Costs

When cost reduction is the objective of outsourcing, there is typically a promise of early cash flow benefits and long-term cost savings. Certainly, a company can compare vendor costs with current costs and build technology and learning curves into future cost schedules. Conversely, it may not know about future possible cost savings or foresee technological discontinuities. These issues are probably matters of judgment.

There are two tendencies, however, that are of concern. First, companies underestimate the setup costs, including redeployment costs, relocation costs, and longer-than-expected handoff or parallel running costs. One U.S. corporation recently asked its European division to provide for $700,000 of these costs in the first year. Second, companies may underestimate management costs. Perhaps fortunately, companies rarely record the costs of management.

6. Lack of Organizational Learning

The organizational learning phenomenon, however, becomes more important in the applications domain. Management tends to learn the value of applications (or of an infrastructure) by using them and seeing further opportunities for development. Many so-called strategic information systems were discovered in an evolutionary fashion. For example, several airline reservation systems began as automation initiatives to save clerical costs before they were seen as stock optimization systems and electronic distribution channels.[4] Thus the strategic scope of systems often emerges as users learn what is possible and as the business context and needs change.

7. Loss of Innovative Capacity

In the long run, a company would maintain innovative capacity because there will be new ways of providingservices for business. If the company has outsourced the services and down-sized as well, its ability to innovate may be impaired. Innovation needs slack resources, organic and fluid organizational processes, and experimental and enterpreneurial competences — all attributes that external sourcing does not guarantee.

Partners have their limitations and that expectations must be properly managed. If others in the marketplace generate some innovative ideas, the vendors who could not innovate in the first place but who now have operational control of the resources may then have to implement the ideas.

8. Technological Indivisibility

Outsourcing may be attractive and workable when it involves management of mature, legacy, or separate activities such as running data centers and corporate wide-area networks or commissioning separable application developments. Benchmarking, service-level agreements, efficiency incentives, annual reviews, and so on can help mitigate risks in these domains.[5]However, much of IT is not divisible or capable of "ring-fencing." Current information systems, for

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example, are increasingly integrated or interconnected, and problems can occur at the interface of responsibility between different vendors or between the vendor's domains and the customer's domain.

A real problem, then, with outsourcing is that it concentrates on how of operations, not on the what . It focuses on the supply side, not the demand side. And because it occupies substantial management resources and executive time, it can unwittingly become another form of denominator management rather than revenue creation — not a prescription for long-term success.

There are some disadvantages in outsourcing, too, such as:

Loss of control

Negative impact on staff

Data protection and confidentiality risks

Lack of consistency

Financial and reputation risks

Less flexibility

II. EVALUATIONOF THE IMPACT OF RISKS IN OUTSOURCING

Outsourcing in India has experienced explosive growth with overseas companies getting everything done here. Its impact can be felt in different areas and spread over several countries. India, being world's second most populated country, human resources are a boon by itself. India is proud of the abundant and easy availability of its qualified and skilled professionals, who happen to be the key to success in several fields.

Outsourcing can be beneficial and harmful to the society. Outsourcing industry has improved Indian economy primarily by employing a large number of people and building and maintenance of infrastructure. Big outsourcing projects provide increasing job opportunities for Indian population. It gives opportunities for women to liberate and liberalize.Due to outsourcing we lose on several cultural and traditional benefits. The outsourcing companies and projects emphasis on the foreign cultural values, the place from which the original project is outsourced. The holidays, the work culture, day to day dealings, and more tend to lay greater importance on the social norms that are not part of our system, our community.We are slowly adapting to the change, accepting the dominant culture and yielding to such values, which we have neither assigned, nor have they come from our own social domain.

III. TO MANAGE VARIOUS ASPECTS OF RISK

Managing the many risks raised by outsourcing requires an approach that helps align business objectives and internal and external resources, implement sound governance and controls, and address all relevant regulatory and compliance matters. Such an approach includes the ability to measure, track and manage all risks associated with specific outsourcing strategies and across the organization's outsourcing activities.

Deal and manage transaction: The organization engages stakeholder groups to evaluate vendor proposals and choose a vendor based on predetermined criteria and weighting factors. It also focuses on transition planning and vendor governance. The organization will narrow the field of potential vendors, complete negotiations and generate a final, signed contract that clearly articulates expectations, pricing, terms, conditions, incentives and penalties, and supports a successful service transition.

Transition and Transformation: The organization designs and executes a transition plan that confirms orderly migration of service delivery to the vendor, while maintaining performance of the processes that the organization retains. The plan should detail all steps, handoffs, responsibilities and accountabilities required to migrate designated operational and reporting responsibilities. The effectiveness of the migration is directly related to the scope, detail, realism and practicality of the transition plan. A useful plan integrates the organizations and the vendor's work streams, activities, resource allocations, milestones and deliverables.

IV. CONCLUSION

The risks of outsourcing do not occur in every sourcing decision. Conversely, they are not unusual or esoteric risks. Some can be avoided or reduced by implementing the suggestions, by using the advice of recent managerial articles, or by carefully selecting sourcing. As corporate knowledge about outsourcing continues to advance, the strategy of selective or smart sourcing may become the norm. The common reasons for outsourcing the services, cost reduction, business focus, and subcontracting legacy systems, remain sensible goals.

However, if these risks are real, even if not universal, then outsourcing looks very complex and uncertain. Are the benefits of outsourcing so great that the risks are worth managing? Or are the risks so manageable that the benefits are worth having — a sort of risk/return trade-off? This logic could lead companies toward out-sourcing only the most commodity like, utility services, and toward adopting some mix of selective or smart sourcing.

Risk-averse executives, however, might ask why they should notin source Hard-won experience may suggest that risk aversion is attractive in the complex, uncertain world of services. This may especially be the case if effectiveness, business value, and the demand side are of equal or more interest than efficiency, cost cutting, and the supply side. Managing to achieve sustainable competitive advantage requires continuous energy in identifying and implementing innovative uses of without dissipating and diverting it on supply-side issues. Drucker has observed that the important business results are on the outside, in the domains of markets and customers. There are limits to the returns from investing in the domains of sourcing and vendors. A company's big gains are likely to come from concentrating on business transformation and, particularly, on focusing its executives' attention on deploying it to improve the business's revenue.

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