

Introduction

[Business](#), [Company](#)



Introduction Globalization has led to an increase in international trade and a greater role for multinational corporations. With the rise of globalization many companies are turning to either offshoring or offshore outsourcing. In India and China, companies like IBM, Microsoft, Hewlett Packard, and Novell choose to get services from sub-contractors in these countries or move their development and support jobs there. Outsourcing is to contract out some of a company's activities to a third party company. The company who outsourced and the third party who is going to handle the activities for the company are joined by means of an outsourcing arrangement. This practice became even more popular after the dot-com crash of the early 21st century. As many businesses struggled with cash-flow problems, many investors were leery in investing money in high-tech companies, which many felt were still vulnerable to the dot-com effect. Struggling to do more with less, companies looked for less expensive avenues of development and support. For the United States, India seemed like a perfect resource for these needs since most nationals speak English. A company can hire an engineer in India, for example, for US\$10,000 a year where an equally qualified engineer in the U.S. could cost \$60,000-\$90,000 a year. Outsourcing has been a big political issue as highly educated and highly paid IT workers lose their jobs. In this competitive environment, companies have to concentrate on competency and they want to outsource everything to reduce cost so the trend toward offshore outsourcing is increasing. Outsourcing threatens that in the future the US will not have many technology people. As all the technical work will be done outside and we will be dependent on them. Why are companies outsourcing? Mostly the companies outsourcing are the software companies. Until now

people were brought from different countries for doing the software jobs. But the job involved in software industry is so much that it is not possible to bring all the people to US and get the jobs. Even bringing the people on visas is expensive also giving salaries and benefits to so many people disturb the company's budget. The other main benefit of doing outsourcing is that there is no responsibility on the companies in the US. Because when the employee is hired all the benefits have to be given to the person. In case of off shoring the part of the product development is given to the other company for example in India so, US companies don't have to look after the liabilities of the person involved. Outsourcing helps the companies in US with more efficient work and more profitable than the companies doing by itself. Even though the companies can do that job by itself they would serve themselves better by hiring a consultancy firm to provide IT-related services. Most of the companies use information technology to achieve goal. Information technology acts as catalyst in company's growth and earnings. But the company has to spend research and time on maintaining the technology. So companies outsource these jobs so that they can concentrate on their main business goals. IT Consulting firms in other countries are good in particular technology so they are qualified in the work related to it like providing solutions and support more than any other companies. So the companies in US achieve maximum results by taking services from these companies and thus increase their efficiency. Few main reasons for companies outsourcing are as follows Low cost labor Large number of educates labor Foreign government International Collaboration Proved outsourcing processes Access to large market IT outsourcing The concept of outsourcing started taking

waves in early 1990's. And more and more companies started taking benefits of the outsourcing. Companies got attracted towards outsourcing because of cost motivation but now they are focusing on performance they are getting from the companies in India and China. By outsourcing they are increasing quality of the product and increasing their capability. There are so many new technologies coming up that it is difficult to maintain all IT technologies so it benefits them when they outsource the already existing technology to the other countries so that they can maintain them efficiently. It is not always good idea to do outsourcing. Outsourcing non-core activities doesn't affect the companies that much. But when core activities are being outsourced it depends on the company's dependence on the information and innovation. Losing control over the production of product is a growing obstacle among the companies because of outsourcing. Company management have always been handling and managing the companies' infrastructure and workers until now but outsourcing will lead to handing off these duties to other companies. But the advantage in terms of cost, reliability, quality, speed and flexibility is so much that they support outsourcing. It helps them in improving the efficiency of operation and support their company provide, it enhances their productivity, and it reduces their production costs and increases their market stability. Three major strategies of the companies in outsourcing 1.) IT Improvement while doing outsourcing main goal of the company is to reduce the cost and improve the quality of the product. But now there are many other reasons they are going for it. When companies outsource it brings third-party which introduces different set of view towards the expenditure. 2.) Business Impact this

strategy improves the link between business process and IT. It helps in bringing new changes in the systems 3.)Commercial Exploitation This strategy will bring investments in IT sector again. It will increase the revenues generated from IT companies. With outsourcing exploitation of the commercial possibilities is possible. Advantages of IT Outsourcing

1. More profitable use of IT talent, Several routine jobs in IT companies like system monitoring, handling of server, call centers, programming, testing and can be outsourced to third party companies talented in that so that companies in US can concentrate with the new technologies and can do research and development in it. IT Companies in US will be free from the maintenance overhead and will be able to concentrate on their main business.
2. reduced IT overhead, IT overhead reduction will help them in getting rid of the routine activities so that they can eliminate the costs and are able to invest in production, new technologies and bring new trends in the markets.
3. Reduced capital expense, Earlier companies had to maintain the resources even when they didn't need them. But now they can use resources, as they need them. So the operating cost will fluctuate on requirement and it would not hamper company's budget. And company can use this amount for the infrastructure and new technologies.
4. Improved IT performance and reliability, The IT companies in India, China are given jobs related to maintenance. As their primary job will be to maintain so the chances of operational errors will be eliminated. This will improve the performance of the product as well as improve efficiency. Because of cheap labor investment can be made on more people and technology leading to quality in the IT functions performed by them. Thus performance and reliability can be

increased. 5. A technology edge over competitors, Outsourcing will lead to many skilled people, working on the same project all around the globe. In market that enters the product first, captures the market. Because of outsourcing product will be out in the market fast and so the competition over the technology will increase and lead to better efficient product in the market quickly. 6. Access to different skills and technology as needed, Outsourcing will help companies rapidly change according to the business needs. The companies can change the technology immediately depending upon the market request by asking the outsourced company to use new technology. People of different skills can be easily accessed through the outsourced companies. 7. Accelerated development and time-to-market cycles, Most IT companies suffer production due to several factors like staff problems, lack of experience, emerging technologies, financial problems. This will lead to market pressure and customer problems. But IT outsourcing can offer the companies with solutions to these problems and complete the project in time. 8. Reduced risk of unscheduled downtime, As IT qualified service providers reduce the time required to produce the functions. In case of risk to projects these providers can use their expertise to develop projects fast and develop project to its full operational capability. 9. Smoother, less costly technology migration, Companies can easily change the technologies. The effort in terms of cost is reduced for up gradation. The IT service provider companies can change gradually the systems as per business requirements. 10. Business contingency and continuity capabilities, These companies are able to help in disaster recovery cases. Maintaining IT facilities by company itself is expensive and outsourcing those services

makes it cheap. Third party companies help continuing operations even when major fault takes place or system failure takes place. Redundant facilities are provided in terms power supplies, communications and more facilities. Disadvantages of IT Outsourcing

1. Loss of flexibility, Many companies in US are building long-term contracts with third part companies. This reduces chances of having flexibility and lacks options when you need to implement them.
2. Increased costs. It has always been thought that outsourcing will reduce costs but it will bring new issues, like tenders, contracts, legal matters, and licenses, which will be expensive, as these will be done at international level.
3. Failure of the contract, Companies when outsource their services to the other countries then they completely depend upon on them for their production. In case the contracts are broken or violated by the outsourcing providers then the companies are hampered and they lose customers by this. In such case they have to develop IT capabilities again in their industry or search other companies for getting their task accomplished. This can prove to be expensive and time consuming.
4. Loss of internal intellectual property, IT service company's processes internal information. So the security is maintained till Third Party Company maintains security. Some information like tax information is at risk by this. As there will be lack of skilled people inside the company the sensitive information have to be given to the service providers for processing information and it might not be that much secured.
5. Loss of control, Outsourcing will make the company's lose control over the tasks, which they used to get it done when it was performed inside the company. They have to depend on other companies till they finally get the product. They are not able to get the

feedback of the product during its making as they will be giving the job completely to the third party company. 6. Global Impact, Outsourcing has already led to domestic unemployment of many tech professionals. There has been a threat that many new college graduates will not be able to get entry level jobs which they earlier used to get. This will reduce the enrollment of students in the technical courses reducing technical people in US and will lead to imbalance globally. Most of the skilled people in future will be in few countries like India. And this will disturb the global economy. Many companies who have outsourced have got problems like communication barriers. This would not ensure the kind of customer support we will get in future. Customers all around the globe will be facing the problems of customer service, as it will be done by non-English speaking countries and not by the people of their country. Tracking is always going to be a problem for countries all around the globe. Even though there are good communications facilities available but still in some situations you need people in front to discuss effectively. It will give importance to the international communications and international business issues in future. Outsourcing will increase the economy of the developing countries. This will make them developed countries in the future. And will increase global economy. It will create jobs for many countries. It will increase the standard of living for many people around the globe. How to deal with outsourcing? Though outsourcing can be tackled effectively by assisting affected workers compensation should be given to the displaced workers. Also they should be notifying workers so that they have time to prepare and be encouraged proactive instead of reactive training. Furthermore they should encourage

greater innovation and technology development. Like increasing federal investment R & D and increasing corporate investment in R & D. Ethical issues; Outsourcing will increase the US economy as well as give economic growth to countries like India and China. This will make US and other advanced countries rich and will leave others behind. To recover from the recession companies have lay off people. This will affect the standard of living in US even though the country's economy is on the rise. Taking outsourcing as future for next 5 years the concerned people are expressing about globalization noticeably stirring up things and creating havoc within the country. Though US gained economically it is not ethical, to make people jobless for the period the country regains its economy and give them jobs again. Earlier jobs concerned to call centers were outsourced but now white-collar jobs are also outsourced. Most of the jobs in US are put to risk. This hampers innovation greatly. Pertaining less development of the technology, as people will be always at the risk of losing jobs. It will lead to deflation.

Ethical analysis; Ethical analysis of outsourcing is done using the six different sources of the ethical standards. Utilitarian approach- From name outsourcing, first thing which strikes majority of people is unemployment and they think it does no good to the common people. Outsourcing helps business all around the globe. It reduces production costs and thus reduces the final product cost which ultimately benefits people. Higher profits achieved by the company increases the US economy and then US can create jobs with it for its people. Outsourcing will develop technology awareness in different part of the globe like India, and China, which have more than 1 billion of population each. Thus leading to more technical people contributing

toward the technology. This will generate jobs for many people in different part of the globe. This will increase global market and people from all around the world will be benefited with respect to technology and standard of living. Outsourcing helps business that ultimately helps people in US, it reduces cost of living which benefits people and increases economy of US which will lead to more jobs. The drawback with outsourcing is that it takes away jobs from the people working presently in the companies. But this problem can be dealt with by taking some steps as mentioned in the topic how to deal with outsourcing discussed above. With so many benefits being offered to people all around the globe in future in comparison to the present unemployment problem, it gives outsourcing as ethical with respective to utilitarian approach. Fairness approach- This approach is used to find whether outsourcing treats all people affected by it equally. The companies doing outsourcing are mostly concerned in reducing their production cost. It mostly helps the engineers in countries like India and develops boom in those countries. But for the local people in US life becomes difficult as the technical jobs disappear in US because of outsourcing. The probable benefits mentioned under the topic advantage of outsourcing are there but still it doesn't helps presently unemployed local workers from outsourcing. In present situation outsourcing doesn't treats local workers as fair as the foreign workers. Common good approach- Does outsourcing satisfy ethical perspective of common good approach is a relative subject. If the people of US are considered then outsourcing goes against them. But if we consider globally then it creates jobs for developing countries. So it benefits globally but affects the developed countries. It helps in developing stronger ties

globally. Today jobs like call attendees, programmers, data entry are being outsourced for reducing costs. And companies and countries are supporting them by saying it is going to help global economy and developing countries. Tomorrow white collars jobs, high paid management jobs will be outsourced to reduce the costs. Creating jobs for other part of the globe on the cost of taking away jobs from US lack common good approach for all people even though it contributes to global advantage and help majority of people outside US. Right approach- Right approach is most important ethical perspective that gives definite approach. It basically deals with the issue in which others affect rights of some individual. Companies consider off shoring as trade. Companies give the work, which was earlier done in US by local workers to the companies in other countries, and get it done at cheap rate. This kind of working goes well according to free trade. But it affects the rights of the US citizens who lose their priority in getting job. Companies being originally from US should get the job done from local people and should outsource those jobs for which enough skilled labors are not available. In such case department of labor should take initiative in deciding what jobs should be outsourced and offshore depending upon the number of people working in US getting affected by it. As outsourcing is taking away the rights of the local workers from being considered for the job it lacks the right approach toward the business. Compassion approach- Outsourcing allows people from different part of the globe with different culture to work together. It develops interaction with people of different races and different languages to work towards development on same platform. This helps in research and development in the future being done on common grounds. It

develops good business relationship with companies in different countries among each other. Outsourcing develops good compassion among countries all around the globe. Virtue approach - This approach helps in finding whether doing outsourcing is right. Some roles of conduct suggested by Robert Fabian are as follows. I will not place my interests or those of colleagues above those of employers or clients, nor will I place any interest above those of the public. I will not knowingly lay claim to a level of competence I do not possess and will do my best to exercise competence at least to the level claimed. I will act with complete loyalty when entrusted with private or confidential information by an employer, client or colleague. I will act with impartiality when undertaking to give independent advice and will fully disclose any potential conflicts of interest. I will continue my professional development throughout my career, and will provide opportunities for the professional development of my colleagues. This code of ethics if followed by the company gives virtue approach taken by it towards outsourcing. My point of view- Outsourcing will leads to faster development of the technology in US as people from all around the globe will be working on the project simultaneously. The money and manpower that was used for the jobs, which are being outsourced, can now be used for researching and development of new projects. It will help improve US economy in long period. The present economy may not be good but after 5 years the companies will be able to contribute to the US economy and create new jobs for the people. As the labor is cheap so more people can be made to do the job. This will increase the quality of the final product. It helps in putting more men into it and increasing the production. It will improve the

global market and would increase customers for the US. Conclusion As mentioned above outsourcing has its advantages and disadvantages in it. But the decision whether one should go for outsourcing or not can be decided on the basis of the quality of the work. If the work can be done at high quality, in less time and at a lower cost in the other country then the work should be outsourced. But if the same work can be done by the organization itself then it should not be outsourced. Outsourcing decision should be made very seriously by Department of Labor. Only the gray areas of the companies must be made to outsource keeping the core area intact. Every IT functions should not be outsourced just because of the low cost. This will help them to have maximum control over the company. They should go for partnerships with those companies so that they have hold on the functions provided by them.