

# Key reasons for outsourcing through three ethical theories business essay



When a company gets outsourced, the people who are culturally removed from the parent company have to transfer the knowledge to the new employees those who come to the board. Can these services meet quality expectations? In some cases it does not satisfy the full requirements. There may be a communication gap when you transfer your knowledge to the third party. It may be that have a lack of interest to train the third party people, but you are forced to do it. In this case, honesty in communication and doing the right duties bring attention to ethical issues. This is against the Freedom of Speech.

There are language and cultural barriers while communicating with the overseas workers. The overseas workers communicate with Americans in broken and incomprehensible English. As a result, the companies have to compromise on the quality of the product. Nowadays, because work outsourcing has peaked, overseas workers have good communication and are very talented. They can easily understand the situation and come up with good ideas, providing a high-quality and safe product. End users benefit from the outcome of the result. The utilitarian theory states outsourcing is good.

Companies outsource due to highly skilled, educated labor, with cheaper price in foreign countries. Sometimes foreign countries use cheap-quality, raw materials and less manual effort to finish the project for their profit. As an example, China often use lead paint in toys, resulting in a poor-quality product, in which both customers and the company suffer.

Utilitarianism Theory Analysis:

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The services or projects which are outsourcing are the Intellectual Property of the company. The company has the right to protect their intellectual property. For that need company has to enforce proper planning strategy on what services should be outsourced and what services should not. If there will be lack of proper planning, then may be chances of Identity Theft and the company goes through loses. In opposite way, if there is a proper planning, then company can focus on core services and outsource the ancillary duties and at the end provides a good quality product to the users. All the users and company get benefited, no one get harm.

In conclusion by providing proper training to the replacement employees, good communication to new employees, proper planning strategy of the company before outsourcing, then users get benefited and satisfied at the end with the quality and safety product. So according to Utilitarianism, outsourcing is good and no need to compromise the quality and safety of the product.

#### Kantian Theory Analysis:

If there is drop in quality and safety of the outsourced product, the community and the users are going to suffer. Company use overseas workers at cheaper rate to accomplish the goal, the quality of the product drops. Overseas workers use as a means to an end for the company benefit. Most of the previous workers who used to work before are getting laid off. Company treated them with disrespect. So outsourcing is not good.

#### Social Contract Theory Analysis:

Company has the right to give a good quality product to the community. If there is drop in quality, the rational beings are not get benefited to the maximum level. So according to social contract theory, outsourcing is not good, as it drops the quality.

### **It affects the global economy.**

People in the developed countries like US and UK tend to blame outsourcing for their job losses, low paying jobs. But offshore outsourcing is an inevitable phenomenon that has many viable benefits to the world economy. Global outsourcing helps in creating newer international markets, promotes global citizenship, helps recognize global talent and in a larger sense helps in the development of economics of all the countries taking part in it. People are more worried about job loses rather than realizing new jobs are getting created. Outsourcing is an evolution that is revolutionizing our societies and laying the foundation for a better world economy.

#### Utilitarianism Theory Analysis:

Companies exploit the cheap labor of offshore countries and cut down on man power costs, reduce operational costs and capital expenditure. The overseas workers don't get greatest happiness but in the end, the global economy rises, all the people are getting benefited. So outsourcing is good.

#### Kantian Theory Analysis:

Though outsourcing increases the global economy, the companies exploit the workers and infrastructure facilities available in the third world countries and use as a means to an end. So outsourcing is not good.

### Social Contract Theory Analysis:

All the rational beings are getting benefited through outsourcing as it increases the global economy. So for the world benefits, outsourcing is good.

### **An employer outsources some work to escape taxes and regulations.**

By outsourcing certain tasks, the companies can save money based on taxes they pay in the offshore countries. Developed countries like America and Europe have more corporate tax rate than other countries. The U. S. tax code allows American based companies to get the tax exemptions for that percentage of tax already paid to foreign countries, which is very less compared to U. S. Some companies even move some tasks to the small offshore island, such as Caymans, where they can create tax-free account and avoid paying taxes. The company uses the materials and resources of the foreign country and that helps in building small local companies and foreign country generate more tax revenues from those small local companies. In overall the outsourced company end up with paying less tax or sometimes get the tax exemption to the foreign country, because it increases the economy of the foreign country and create more jobs in that country. The U. S. companies only give tax based on their operation account income in U. S.

### Utilitarianism Theory Analysis:

According to Utilitarian point of view, the companies move certain tasks to the offshore countries for tax benefits. They help other foreign countries to grow and create jobs there and also give tax to the countries based on the <https://assignbuster.com/key-reasons-for-outsourcing-through-three-ethical-theories-business-essay/>

profit in those countries. The tax rate at foreign country is very low compared to the parent country. The parent country gets less tax revenue where as the foreign countries and the company both are getting benefited with this. So outsourcing is good.

Kantian Theory Analysis:

The companies create more jobs in the overseas for tax incentives. They do not invest money in their country and do not create jobs for their society. According to Kant, this is morally wrong, the companies has some responsibilities for the country. They cheat to the country and give less tax based on profit in the parent country, not the profit through overseas.

Social Contract Theory Analysis:

The outsourced companies give lower foreign tax rate to the foreign countries as compared to U. S. and deduct those foreign taxes on their American tax return. The outsourced company creates jobs overseas and give tax based on profit earned in the overseas, as a result the overseas countries get financially benefited. As a moral rule, if all the U. S. based companies move their business overseas for their tax benefit, then economy of the U. S. will drop, it is not right. So outsourcing is not good.

## **Honesty in communications is at the ethical core of trustworthiness.**

Another problem in outsourcing is transfer of knowledge. How honestly the parent employees who are culturally removed from the company, will transfer the knowledge to the foreign employees. The offshore countries

have the responsibilities to give back the quality and safety product to the company; how much honesty will exist in this process, is a question? Honest in relationship between the developed country and the foreign country is a key constraint for better and successful business.

#### Utilitarianism Theory Analysis:

According to Utilitarianism Theory, if a work is done with honest, it will give satisfaction at the end. When two countries are working together with handshaking, one should have trust with another and they should do work with honesty. If that criterion meets, then both the countries get benefited. Outsourcing is good.

#### Kantian Theory Analysis:

An outsourced company gets profit with the help of other foreign countries; simultaneously foreign country also gets profit with the outsourced work. Both should do work with honest and trust. If one country uses other as a means to an end for its benefit, then it is wrong. If there is honesty, outsourcing is good.

#### Social Contract Theory Analysis:

As a moral rule, honesty in communication required for better business and makes a better word. So in outsourcing, honesty is a key factor.

### **Skilled and talent professionals work for other nation.**

Developed country like U. S. moves some tasks to foreign countries to utilize skilled and talented workers at lower rates compared to U. S. talented

workers that will lead to an increase in productivity and save costs in a major way. Large number of engineers is graduating every year from India and China compared to U. S. As a result there is an oversupply of talented workers from overseas. But these foreign countries sometimes can not produce quality and challenging jobs for them at a good rate, where they get their satisfaction jobs from other developed country at a feasible rate. They leave their own countries because they are not absorbed by the economies of these developing countries and work for other nation. Outsourcing offers opportunities for talented individuals to stay at own country and work for the other country.

#### Utilitarianism Theory Analysis:

According to Utilitarianism Theory, if talented and skilled workers stay at own country and work for another country, the workers get satisfaction with their job as well as the economy of their own country gets better. At the end, even though workers drain brain for other nation, their own nation also get benefited. Skilled workers work for other nation is good.

#### Kantian Theory Analysis:

Developed countries give jobs to talented and skilled workers overseas for their benefit in place of own talent workers. According to Kant, this is wrong because developed countries workers use as a means to an end.

#### Social Contract Theory Analysis:



Talent and skill workers get opportunities and build their career and company also gets benefited. It does not matter where these workers drain brain, but global economy increases.

### **Restricted access to secured data for maintaining the privacy and confidentiality.**

Outsourced company should concentrate on core business and need specialized attention while moving some operations to the third party company. The core concern of outsourcing is to maintain the confidentiality, integrity, security and privacy of the company business. It is wise if outsourcing partner does not have adequate information security measures. As a practice of ethical rules and privacy policies of the organizations like non-disclosure of trade secrets and non-disclosure contracts with staff, third party service providers and visitors should sign the disclaimer contract. So the outsourcer feels safe to do the business with a partner who is miles away. Everyone has right to protect his intellectual property. Privacy is a prudential right. From the point of view of rule utilitarianism, social contract theory and Kantianism, it is necessary to maintain some privacy and confidentiality information to the third party company.

### **It increases the productivity of the services.**

By employing more numbers of skilled and talented manpower at lower cost, company boost up their productivity. Companies produce better product at low price which increases the demand for the product and also increases revenue of consumers. In order to produce more products, workers must be hired, that results in more job creations. Companies operate on an around the clock, “ 24/7” production cycle, provides customer service 24 hours;

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which further adding productivity. By outsourcing it is possible for projects to be shuttled between multiple sites, allowing around the clock and get the tasks done in time. For an example, a team in Palo Alto spends its day to find bugs in a piece of software, then hand the bug reports to Bangalore team of India that spends its day fixing the bugs. Outsource results into better customer satisfaction and increased profitability. If we see in other way, infrastructure in less developed countries can make business more difficult, which hampers the productivity.

#### Utilitarianism Theory Analysis:

According to Utilitarianism, the customer gets good product in less price, which enhances the total happiness of the customer. It also creates new jobs. So outsourcing increases the productivity.

#### Kantian Theory Analysis:

By employing skilled manpower at lower cost, the company boosts up productivity which is morally wrong according to Kantianism theory, because the company uses skilled manpower as means to an end.

#### Social Contract Theory Analysis:

Outsourcing process increases the productivity of the company and also provides customer satisfaction. According to social contract theory, outsourcing is good.

## **Conditions when the outsourced get outsourced:**

Outsourcing Company outsources jobs to offshore countries to get the product at a much reduced cost. To get maximum revenue benefit, offshore countries outsource some of their job areas to third offshore country to reduce their operating costs. The outsourced jobs in the offshore countries get outsourced to another offshore country because of reducing the cost of infra structure, cost of raw materials, and cost of labor. Most of the times offshore country keeps the core functionality of the outsourced jobs and outsources their non-core jobs to third offshore country for the utilization of available skilled labors. Also the offshore country outsources their jobs to get the benefit out of lower corporate tax rate of 3rd offshore country.

Sometimes Supply of demands can be a factor to get the jobs outsourced from one offshore country to another offshore country. For example, developed country like America outsources mostly IT jobs to India to get a better quality product at a lower price. India outsources certain tasks like software testing, software documentation of those IT services to other offshore country like Philippines and other south Asian countries to get the tasks complete within very low labor cost. Sometimes Indian corporations outsource job to developing nations to meet the need for workers who speak the varieties of languages that global clients demand.

### Utilitarianism Theory Analysis:

The business of the company spread globally. Three countries get benefited and also skilled and talented workers get good job. Sometimes own country skilled workers do not get job, this is a negative consequences. Managing the tasks is difficult as it spread to country to country. The confidential <https://assignbuster.com/key-reasons-for-outsourcing-through-three-ethical-theories-business-essay/>

information are less secure, this gives negative impact. Total benefits is more than total harms. So outsourced get outsourced is a good phenomenon.

#### Kantian Theory Analysis:

The developed country like America outsources job to developing country like India for their benefit. Similarly, India outsources some task to a third developing country like the Philippines. According to Kantian theory, America uses India as a means to an end. India uses the Philippines as a means to an end. This is not a good idea.

#### Social Contract Theory Analysis:

The businesses of the company get distributed around the world. The Higher quality product is sold at the best possible price due to competition among possible providers of the same product. This is beneficial for the society. Poorer countries gain employment, creating jobs around the world reduces unrest and leads to more stability. For everyone's mutual benefit, outsourced get outsource is good.

### **Conclusion:**

Outsourcing has tremendous impact on economic growth, national security, balancing between Jobs vs. the workforce. These impacts are both positive and negative. When the business owners and BPO consultants move jobs overseas, they claim that their actions have a clear net positive. In contrast certain group of people and the community of outsourced country are

adversely affected by outsourcing. It is very difficult to determine who are the ones affected by outsourcing.

The jobs as well as the capital resource are transferred from developed to developing countries. As a result unemployment rate increases in the parent country and in most cases the qualified skilled labors in their own domestic land are forced out of jobs. Also people in their own domestic land are losing interest in education because of lack of skilled jobs originating in their own country. Based on various arguments and discussions from different sources, outsourcing also enhances the global economy of the domestic country and creates new jobs in the country. If we consider each key reasons of outsourcing through ethical theories, some key reasons have more moral value than the others. So it is very hard to decide whether outsourcing is good or bad.