Description of Business Process Outsourcing and its Significance in the 21st Century

Manandeep Chhabra
Prestige Institute of Management and Research, Vijaynagar, India

Abstract: Business Process outsourcing is a contraction of noncore (non-primary) business functions to an external body or third-party provider to handle its core operations effectively or to minimize its non-primary work. This practice has been adopted through the years by several industries but as the services are even provided to remote areas at a minimal cost due to advancements in Information technology the industry has grown tremendously in the past two decades. Now the use of business process outsourcing has been increased so much that organizations of all kinds use whether it is for-profit businesses or nonprofit businesses. Nowadays even government offices and agencies contract with BPO service providers in the United States. However, Outsourcing is not compatible with every organization because as per any management concept, it is not just the idea, but the way it is implemented determines its success. For example, if internal politics and learning disability characterize the corporate culture of an organization, then Outsourcing may complicate matters further.

Keywords: Outsourcing, Non-Profit Business, Non-Core Business, Non-core Employment, Internal Politics.

I. INTRODUCTION

Majorly BPO is used for back-office functions, also referred to as internal business functions, which include IT services, human resources (HR), quality assurance (QA), and payment processing. It is also used for front office functions for customer relation services, marketing, and sales. Organizations can also outsource specific functions i.e., payroll in those areas in addition to outsourcing an entire functional area, i.e., human resource. Due to the growing trend of BPOs, there are many companies which offer business process outsourcing, few of them are:
• Infosys
• Tech Mahindra
• Accenture
• Genpact
• Wipro Technologies

II. ADVANTAGES OF BUSINESS PROCESS OUTSOURCING

• Reduction in Cost: Outsourcing helps organizations in saving time as well as money, thereby making the most important reasons for people choosing to outsource their business process. BPO has given rise to a group of talented employees who are readily available at low wages. All this results in substantial cost reductions, thereby generating better revenue for the company.
• Availability of Experienced Professionals: Recruiting and training of new employees involves a lot of hassle and is a considerable cost to the company so when the tasks are outsourced the trouble of hiring and training can be avoided which can help the company to focus on its core activities.
• Access the Latest Updated Technologies: As the technology is getting advanced it is also getting expensive day by day so, buying a licensed version of the latest software and other technologies is very expensive. Therefore, it becomes difficult for a company to stay updated with the latest developments. Outsourcing to companies that already have access to the technology and have relevant expertise, therefore, proves to be more advantageous for global organizations.
• Excellent Employment Opportunity: The BPO industry is ranked second in terms of many jobs created in some of the Asian countries, making it be the highest job providers in most of the countries. Not only this, but, this industry has given many employment opportunities to freshers, and even the remuneration in this industry is excellent.
• Ability to Focus on Core Business: Since a considerable chunk of business is outsourced the top management can focus on core operational areas.
• Excellent Source of Customer Feedback: Since most of the BPO employees are in direct contact with the customer, companies can receive first-hand feedback about their products and services.

Figure.1.

Figure.2.
III. DISADVANTAGES OF BUSINESS PROCESS OUTSOURCING

- Loss of Control: Due to time differences and other problems, the client company can lose control of the project due to which they may feel that the quality of the product has suffered. This makes transparency and effective control two main factors of this type of business.
- Risk of Security: In today’s world, it is necessary to exercise caution when using customer data. If the plan is to outsource processes which require personal data, you could be placing other’s privacy and your business’s security at risk by passing that data to other people or other companies.
- Hidden Costs: Although Outsourcing is considered to be cheap, big companies ask small scale business owners to sign lengthy contracts which include several fine prints which if not read carefully can make you incur huge losses.
- Requires Planning: Business process outsourcing is not as easy as it looks like; it involves lots of planning; many times, there is also a need for a person to maintain relations. Analysis of service provider should also be done beforehand.
- Lack of Customer Focus: It may happen that an outsourced vendor may be catering to several other organization’s need; therefore, in such cases, vendors may lack your organization’s tasks.
- Rigidity/Lack of Flexibility: At times, a business might require specific changes which might not be possible when outsourced.

IV. TYPES OF BUSINESS PROCESS OUTSOURCING

- Offshore: this type of outsourcing vendors is located outside of the company’s own country. For example-an Indian company may use an offshore BPO vendor in China.
- Nearshore: In this type, vendors are located in countries that are a neighbor to the contracting company’s country. For example, in India, a BPO in Nepal is considered a nearshore vendor.
- Onshore: In this, vendors operate within the same country, although, they may be located in a different state or city. For example-a company in Madhya Pradesh, India could use an onshore outsourcing vendor situated in Punjab, India.

IV. REFERENCE
