



## **“Business Process in Outsourcing Employee’s Management” (A Study with Legal Compliance in Waltair Division of East Coast Railway)**

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### **Abstract:**

“Globalization describes the process by which regional economies, societies, and cultures have become integrated through communication, transportation, and trade. The term is most closely associated with the term ‘economic globalization’: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, the spread of technology, and military presence.

However, globalization is usually recognized as being driven by a combination of economic, technological, socio-cultural, political, and biological factors<sup>1</sup>. Today the US based companies are ranking India to be their first choice as an offshore outsourcing destination. India stands as one of the major players in the outsourcing industry, in terms of well educated, talented, low cost and english speaking workforce, excellent IT and networking infrastructure, a fairly stable political scenario, friendly laws and well laid taxes and quality certified software firms<sup>2</sup>

### **The Concept:**

There are dozens of definitions of the term in the academic literature. Brown and Wilson define outsourcing as “the act of obtaining services from an external source.

“Outsourcing involves the sourcing of goods and services previously produced internally within the sourcing organization from external suppliers.”  
.....McIvor

The key point worth noting is that this definition excludes processes never performed internally. Linder writes that outsourcing is “purchasing ongoing services from an outside company that a company currently provides, or most organizations normally provide, for themselves.” This view limits McIvor’s definition by adding the qualification that most organizations normally provide some services for themselves. Provide a much broader definition for outsourcing, as “The reliance on external sources for the manufacturing of components and other value-adding activities.” ----- Lee and Hitt<sup>3</sup>.

### **Outsourcing Services:**

- Customer Support Services:
- Technical Support Service:
- Tele-marketing Services:
- Employee IT Help-desk Services:
- Insurance Processing:
- Data Entry Services/Data Processing Services:
- Data Conversion Services:
- Scanning, OCR with Editing and Indexing Services:
- Book Keeping and accounting Services:
- Book Keeping and Accounting Services:
- Internet/On-line/web Research:<sup>4</sup>

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## BPO Categories:

Business processes that have come under close examination as potential candidates for outsourcing typically fall within one of seven categories:

- Finance and accounting
- Investment and asset management
- Human resources
- Procurement
- Logistics
- Real estate management
- Legal Processing Outsourcing
- Miscellaneous (energy services, customer service,)

These categories have been established to facilitate the discussion of the general types of business processes that are the subject of consideration for out-sourcing. Because in many cases a business process touches different areas within an organization, customers and vendors may categorize certain business processes under different headings depending on the organization's internal structure<sup>5</sup>.

## Types of Outsourcing:

Outsourcing can occur in many forms contracting out typically involves a competitive bidding process in which RFPs (Requests for Proposals) are circulated to eligible vendors. Some city and state governments require contractor registration prior to bidding while others independently select potential contractors based on experience and reputation. Contractor proposals are then evaluated and a decision is made based on either a cost or "best value" basis.

- **Public-Private Partnerships:** are cooperative arrangements between governments and private organizations to jointly fund or operate a particular program, project, or service.
- **Volunteers or volunteer associations** are often called on to provide public services highly valued by community members for no cost to the city. Many cities use volunteers for park maintenance,

recreational programs, and neighborhood watch activities among other programs.

- **Load shedding:** involves government relinquishing the responsibility for providing services or operating a program. Most often, this is done with the understanding that another entity, public or private, will buy the public assets associated with the service or program and offer these itself.
- **Franchising:** involves the licensing of private service providers to exclusively provide public services in a particular area. Private vendors then charge city residents fees for the services they provide.
- **Vouchers:** involve government payments to third parties for goods or services provided to residents. Vouchers are often used to enhance the competition and availability of a service to residents without direct government service provision<sup>6</sup>.

A firm using outsourcing inevitably loses some control over its future, which is to some degree given over into the hands of another firm, whose primary motivation (one should bear in mind) is the maximisation of its own profits<sup>7</sup>. Outsourcing is not an end in itself there also its successful adoption involves departments in making important decisions about the business they are in and the best mechanism for delivering their services to the community. Outsourcing is a management tool and should be approached in that manner. In hiring an outsourcing contract, whether for the first time or as a renewal exercise, the first step is to determine the primary reasons for the outsourcing<sup>8</sup>.

## Outsourcing service models:

- **Outtasking:** sourcing certain tasks, such as payroll services, to an external service provider.
- **Selective Outsourcing:** sourcing a selected part of a larger business unit (e.g. sourcing of maintenance services).



- Transitional Outsourcing: sourcing in the context of a technology upgrading.
- Complete Outsourcing: sourcing an entire business unit
- Business Transformation Outsourcing (BTO): a combination of business consulting and outsourcing (e.g. the reorganisation of a business unit, followed by the sourcing of the reorganised business unit).
- Business Process Outsourcing (BPO): sourcing an individual business process (e.g. sales, accounting, human resources) to a third party.<sup>9</sup>

Five BPO international hot spots have emerged, although firms from many other countries specialize in various business processes and exporting services:

- India. Engineering and technical
- China. Manufacturing and technical
- Mexico. Manufacturing
- United States. Analysis and creative
- Philippines. Administrative<sup>10</sup>

Outsourcing to India and China is considered offshore Outsourcing. Offshore outsourcing or international outsourcing can be further divided into the following categories

- Information Technology Outsourcing (ITO), outsourcing of computer- or Internet-related work.
- Business Process Outsourcing (BPO), outsourcing of back office tasks, such as payroll or accounting, and front office tasks like running call centers, customers support, technical support, etc. Services under this category include DTP, Multimedia, and Web design and development, for example.
- Offshore Software Development (Software R&D), outsourcing of software development to another country. India is the current leading country for this kind of outsourcing
- Knowledge Process Outsourcing (KPO), is the outsourcing of knowledge-related work that requires high levels of knowledge and expertise,

such as data analytics, research, or business operation support and management

- Different authors offer other categories, and some divide outsourcing into the following categories:
- Technology Services Outsourcing
- Business Process Outsourcing
- Knowledge Process Outsourcing: Outsourcing is divided according to service types such as: Professional – includes information technology support, accounting, purchasing, and other specialized services.
- Manufacturing – industry-specific, for example, manufacturing specific to the automobile industry.
- Process specific –for example, specific to a process of manufacturing or assembling a specific component.
- Operational – specific operational activity, such as, for example, machinery maintenance, cleaning, or property management<sup>11</sup>

### Outsourcing Advantages:

It allows the organisation to focus on its core, value-adding activities without the distraction of having to run support services. Support services can soak up both management time and financial resources and these would usually be better spent concentrating on where the business can use its resources and competences to gain competitive advantages.

- **Cost savings:** Usually the organisations to which activities are outsourced specialise in those activities and, therefore, are likely to enjoy economies of scale, whether from the use of machinery or the employment of expertise. There can be additional cost savings if a process is outsourced to a foreign company operating in a cheaper labour area (off-shoring).
- **Cost certainty:** An outsourcing contract at a fixed, or closely defined price, shifts much of the financial risk on to the provider. Costs become more predictable.

- **Cost restructuring:** For some types of outsourcing such as component manufacturing, there will be lower fixed costs and higher variable costs. If all components are bought in, then these costs are all variable. Had the components been made in-house, there would inevitably have been associated substantial fixed overheads.
  - **Access to cutting edge expertise and talent:** In technically advanced, fast moving industries, it can be difficult for small companies to develop or make use of new processes. Outsourcing to a specialist company can give access to the latest technologies.
  - **Better quality:** There can be an immediate improvement in quality if a process is outsourced to a world-class company where the quality is carefully defined in a service level agreement.
  - **Risk transference.** If a company perceives that one of its processes has high risks, then this can be transferred by outsourcing to another company.
  - **Capacity management.** For example, it can be difficult for businesses to deal with variable demand: either they run out of capacity (unhappy customers), or have (expensive) unused capacity. Outsourcing to a large company can mitigate this problem.
- Disadvantages of outsourcing:**
- **Unexpected costs.** Although many costs become more predictable, the supplier will be very careful to define exactly what these costs cover. There are likely to be substantial additional charges for anything extra. Additionally, remember that almost certainly the supplier knows that part of the business better than the outsourcer and will ensure that the contract is carefully (and advantageously) worded.
  - **Difficult to reverse:** Once an activity is outsourced and internal knowhow gone, it can be very difficult to bring a process in-house again. This is particularly relevant when a contract comes up for renewal: the price increase might be higher than expected but it can be difficult to abandon the supplier.
  - **Damage to reputation:** If the outsource company does not perform properly – for example, not manufacturing to the required quality standards and not supplying goods on time – great damage can be done to the organisation’s reputation.
  - **Non-congruent objectives and loss of managerial control:** The supplier company makes money doing things efficiently. The buying company might make money by innovation. To some extent, despite the contract, there can therefore be a difference in the objectives and core values between the two parties.
  - **Success depends on another company’s performance:** Though there is always a dependency between buyers and sellers, outsourcing shifts more responsibility for success to other companies’ performance.
  - **Confidentiality/security.** Outsourcing some processes can give the supplier information that could be valuable or sensitive. Keeping a process in-house should increase security.
- Experience of outsourcing:**
- **Catering facilities:** For example, Compass Group UK and Ireland has a turnover of almost \$3bn and its main business is providing catering facilities for organisations such as schools, hospitals, client entertainment, businesses, and sports and leisure venues.
  - **Document handling:** Document handling is a serious problem for many companies and there are often legal requirements to preserve documents for many years.
  - **Technology services/IT:** Because of the large investment, high specialist expertise needed and rapid technological changes, this one of the most common processes to be outsourced.
  - **Accounting services:** For example, receivables ledger maintenance or wages and salaries administration<sup>12</sup>.



**BPO operation in India:**

TCS pioneered the industry and remains its market leader, employing over 20,000 persons. Of late, its lead over the competition has been slipping. Meanwhile, since 1999, an export-oriented business process offshoring and outsourcing (BPO) industry has emerged in India and is growing rapidly. BPO has links to TCS’s traditional business of software development; however, as of 2003, TCS had only a small presence in this business. Unlike software services, TCS is a relatively small player in the BPO industry in India. The BPO business is divided into broad segments: call center work (which includes a large component of IT-intensive technical support work) and back-office work<sup>13</sup>. The new targets of BPO companies are Tier III cities of India. The ground fact is that a majority of the computer engineers (almost 60%) workings in the BPO industry are from rural areas and aspire to find job opportunities in the top tier cities such as Mumbai, Hyderabad and Bangalore among other cities.<sup>14</sup>

**Top BPO Companies in India:**

NASSCOM since the past few years has been ranking the Top 20 IT-BPO Export Companies, top 15 BPO Export Companies and Top 20 IT-BPO Employers based on a survey conducted annually, which is open to all NASSCOM members.

S.No	BPO Company	S.No	BPO Company
1	Tata Consultancy Services Ltd	11	MindTree Ltd
2	Infosys Ltd	12	KPIT Technologies Ltd
3	Wipro Ltd	13	Zensar Technologies Ltd
4	HCL Technologies Ltd	14	Hexaware Technologies Ltd
5	Tech Mahindra Ltd <sup>1</sup>	15	Cyient
6	L&T Infotech	16	NIIT Technologies Ltd
7	Syntel Ltd	17	Infinite Computer Solutions (India) Ltd
8	Mphasis Ltd	18	Persistent Systems
9	Genpact India Pvt. Ltd.	19	Geometric Ltd
10	iGate	20	MASTEK Ltd <sup>15</sup>

www.bpo.india.in

**Conclusions:**

This article examines the law and practice of labour outsourcing in Indian railways and It finds that labor outsourcing is globally productive and appears to be increasing.

Organizations in nearly all of the countries were motivated to outsource labour by similar factors, including the flexibility to respond to market conditions by rapidly adding or shedding labour, the ability to pay lower wages, achieving efficiencies of scale, and in some countries, attracting skilled labour. However, the general legal approach to regulating labour outsourcing varies considerably with some countries adopting a regulatory model, others a hybrid regulatory-contractual model, and others not regulating it at all. Finally, the scope of legal regulations also varies considerably by country: some focus on protecting existing employees, while others focus on curbing exploitation of workers performing outsourced work; some countries regulate the types of work that can be outsourced or subcontracted, and others regulate the firms that can provide labor outsourcing services.

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