Outsourcing

As global competition grows, every organization continues to look for ways to increase their competitive edge without jeopardizing their profit margins. Every organization whether large or small, profit making or nonprofit making have started to realizing that to stay current with technologies requires a great deal of efforts, risk and expenses. Hence, organizations need to take the benefits of the specialized services offered by the various vendors to reduced risk and expenses involved in such tasks/operations. It is primary reason for organizations to consider outsourcing as an attractive alternative. **In outsourcing, an organization decides to allow an outside vendor/ organization/individual to take responsibility of some operation/functions of the organization.** The outsourcing vendors increase the efficiency and effectiveness of the organization operation, which would lead to increased production and output. An organization may choose to use outsourcing as a mean to increase the efficiency and effectiveness of organizational operations which would lead to increased production and output. Until an organization goes through outsourcing evaluation it will never come to know whether outsourcing would be a good decision or not. As a management practice, it has probably been in existence for over 200 years, but during the last 20 years, with the support of academics, consultants and industry forums, it has developed into a popular strategic management initiative.

In simple words, outsourcing is delegating a task to an outsider (means a vendor/ organization/ individual), or it is just a contracting transaction whereby one organization hires services from vendor while retaining ownership and responsibility for the underlying processes; the organizations clearly mention in the contract what they want and how they want the work performed by vendor. The term Outsourcing is a combination of three terms “outside”, “resource”, “using”, which means going outside the organization to use the resources of others. Outsourcing is the strategic use of outside resources to perform certain tasks which are traditionally handled by internal staff using internal resources. Outsourcing is a strategy by which an organization contracts out some functions to specialized and efficient service providers/vendors. Organizations have always been hiring contractors for particular types of work and form long-term relationships with those who had capabilities to supplement the organization resources. It is not a novel concept and has existed for decades, especially in the corporate sector as a means to reduce costs.

'Outsourcing,' 'Privatization,' and 'Contracting Out' terms are often used interchangeably because each term reflects organization interaction with vendors in different aspects. A variety of definitions associated with these terms are available in business literature. However, the important difference between outsourcing and privatization is that in privatization complete control over a service is transferred to vendor, whereas in outsourcing, the delivery of a service is transferred but control including governance and policy setting, is not transferred. Over the years, the meaning of the term 'Outsourcing' has undergone a sea change which has taken a new connotation in today's scenario. It is growing and moving from time to time through waves of specialization (outsourcing) globalization (offshoring), social networking (crowdsourcing) to cloud computing (cloudsourcing). Like many other long-lived phenomena, the concept and applications of outsourcing are continually evolving in both the corporate and public sector.

a) FIRST GENERATION: First generation of outsourcing was typically all about cost savings – finding someone who could do the same job better, faster, cheaper, or all three. However, service providers were interested in long term contracts and better margins. It covered the period from 1970 to 1990. 1st generation outsourcing characteristics included: mostly outsourcing of peripheral activities, cost savings, limited vendors, immature market, little integration and little focus on customer satisfaction.

b) SECOND GENERATION: Second generation outsourcing became strategic – with a much higher focus on core competencies and achieving objectives. It covered the period from 1990 to 2010. 2nd generation outsourcing characteristics included: near core and core activities are also outsourcing, multiple vendors, mature market, enhanced integration and major focus on organization's performance.

c) THIRD GENERATION: Third generation outsourcing covers the period 2010 onwards. This generation of outsourcing varies from the past because it is totally based on cloud computing. 3rd generation outsourcing characteristics includes: outsourcing of core and non-core activities, multiple vendors, mature market, virtual integration and major focus on organizational goals.

DEFINITIONS

Unabridged edition of the Random House English Dictionary (1993) describes outsourcing as "the buying of parts of a product to be assembled elsewhere, as in purchasing cheap foreign parts rather than manufacturing them at home."

Wagner (1992) stated "outsourcing is the transfer of an internal service or function to an outside vendor."

James and Weidenbaum (1993) opined that, "outsourcing is not a new concept; it is simply another name for the long standing practice of subcontracting production activities."

Falconi (1995) defined Outsourcing "as a fancy term for having someone else to do your work."

According to Peter Drucker (1995) in outsourcing a "company, a hospital, or a government agency turning over an entire activity to an independent firm that specializes in that kind of work . . . further he explain "organizations may have outsourced all work that is `support' rather than `revenue producing' and all activities that do not offer career opportunities into senior management. This will mean that in many organizations a majority of people working might not be employees of that organization but employees of an outsourcing contractor

Rothery and Robertson (1995) stated that outsourcing means "finding new suppliers and new ways to secure the delivery of raw materials, goods, components and services (it means that you) use the knowledge, experience and creativity of new suppliers which you did not use previously. It is a mechanism for acquiring new dialogue, ideas; creativity of new suppliers may have more freedom to get things done, to do them better and cheaper and to give more customer satisfaction."

According to Boss (1998) outsourcing means "the contracting of activities to an outside individual or organization (which may be another publicly funded body) in place of the use of in-house staff."

Greaver (1998) defined "Outsourcing is the act of transferring some of a company's recurring internal activities and decision rights to outside providers, as set forth in a contract."

Lankford and Parsa (1999) defined Outsourcing as "the procurement of products or services from sources that are external to the organization."

According to McCarthy and Anagnostou (2004) outsourcing "not only consists of purchasing products or services from external sources, but also transfers the responsibility for business functions and often the associated knowledge (tacit and codified) to the external organization."

These definitions have in common that outsourcing refers to acquire determined activities from an external organization with a strong strategically and long-termed focus. Simply we can say that the term "outsourcing" refers to the contracting out the outside vendor/organization/individual to perform certain tasks and functions for the organization. Thus, outsourcing is best defined as "a strategic decision that entails the external contracting of determined non-strategic activities or business processes necessary for the manufacture of goods or the provision of services by means of agreements or contracts with higher capability firms to undertake those activities or business processes, with the aim of improving competitive advantage (Espino-Rodriguez and Padron-Robaina, 2006)." This definition includes three significant characteristics: First, it stated that outsourcing has to be a strategic and long-run decision. It becomes a part of the firm's strategy with the aim of the pursuit and maintenance of competitive advantage. Second, it argues that firms must be able to identify which activities or business processes can be outsourced and which vendor are capable to supplement firm's resources. Third, it comprises the concept of competitive advantage. Outsourcing is becoming more and more popular in today's environment. Most of the profitable as well as non-profitable organizations tend to outsource most of their work functions. It is a process in which an organization contract to another organization to avail particular services.

The term "Outsourcing" may be somewhat new to the vocabulary of Indian librarianship but its practice in libraries is not. For many years, librarians have used outsourcing as a viable way to accomplish many and varied tasks e.g. janitorial services and bookbinding are the tasks better done by companies formed to perform such services. Library networks and consortia are also seen as ways to outsource and these are the examples of acceptable outsourcing. In an environment of freezing/ shrinking budgets and an increasing demand for more information by library users, many libraries outsource some of their services and functions to vendors. It is regarded as a solution to financing and staffing problems. Hence, outsourcing has become a strategic tool in library management. Outsourcing is not a new phenomenon in library and information profession.

Libraries have a long history of outsourcing services to both nonprofit organizations and/or profit making commercial firms. The activities and services outsourced are mostly behind the scene operations and patrons are unaware of the practice. Libraries work in a continuously changing environment.

TYPES OF OUTSOURCING USED IN LIBRARIES

a) CO-SOURCING: When a function is performed by both internal staff of library and external resources, such as consultants or outsourcing vendors, with specialized knowledge of that particular function e.g. implementation of RFID in a library.

b) BACK-SOURCING/IN-SOURCING: when technology is getting cheaper and library bringing back that function to in-house which had been outsourced earlier because now it is more beneficial to run that operation internally e.g. libraries online systems is no longer run from university computing centers so it moved from university computing centers to library.

c) MULTI-SOURCING OUTSOURCING: A strategy in which a library combines multiple deals with same vendor or library can buy different kinds of products from the different vendors e.g. a library often buys books and periodicals from the same vendor or different vendors. Termination of one vendor contract does not affect the others.

d) SELECTIVE OUTSOURCING: when library outsources only specific applications. This is most prevalent in libraries and is used extensively for projects such as Retrospective Conversion, RFID tagging and Digitization etc.

e) SHARED OUTSOURCING: when a vendor works for more than one library at the same time e.g. a library automation software provider working on the same software code for several libraries.

f) TOTAL/ FULL OUTSOURCING: when a library decides to close a department and transfers the function in totality to an outside vendor e.g. library closes down its binding department and outsources it to an outside vendor.

g) TEMPORARY OUTSOURCING: This type of outsourcing is adopted by the library as a rapid and short term solution for a particular problem/task. e.g. a library may need to spend a fixed amount of money within a specific time frame.

h) BUSINESS PROCESS OUTSOURCING (BPO): when a particular process/ task is outsourced by library within an institute or to outside institute e.g. outsourcing of library website design and development to Computer Centre.

i) TRANSITIONAL OUTSOURCING: It involves the library migration from one platform or mode of operation to another. It consists of three phases: management of the traditional system; transition to the new platform or system and stabilization and management of the new platform e.g. shifting from traditional library to digital library.

j) CROWDSOURCING: The difference between crowd-sourcing and ordinary outsourcing is that as compared to outsourcing in crowdsourcing a task or problem is outsourced to an undefined public rather than a specific body e.g libraries invite people to mark the errors in library catalogues etc.

k) CLOUDSOURCING: Cloud computing is a technology that uses the web (Internet) and central remote servers to maintain data, software and application. Cloudsourcing is a process by which specialized cloud products and services and their deployment and maintenance is outsourced to and provided by cloud service providers. It is the combination of cloud computing and outsourcing. Libraries have been using cloud computing services for over a decade e.g. online databases are accessed as cloud applications.

WHAT TO OUTSOURCE CORE VS. NON-CORE ACTIVITIES?

Certain activities provide character to any organization, whether private, public, profit making or non-profit making. These activities are necessary to identify that organization and if these activities are taken away from the organization, there need of that organization would also eliminate. Such activities are called core competencies. An organizational core competency is an organization's strategic strength which differentiates an organization from its competitors. Quinn and Hilmar (1992) defined that core competencies "tend to be sets of skills that cut across traditional functions rather than ownership of assets." Greaver (1999) mentioned that "core competencies are the innovative combinations of knowledge, special skills, proprietary technologies, information and unique operating methods that provide the product or the service that the customer value and want to buy." Non-Core Functions are "those processes that either add significant value to the core product or service or provide the means for supporting the company and retaining employees (for example cleaning, payroll, maintenance and so on)" (Tompkins, Simonson, Tompkins and Upchurch, 2005).

Organizations can give more attention to its core competencies after the outsourcing of its auxiliaries operations. It is the main reason that most of organizations do not outsource their core competencies, however, some companies do outsource these also. There is no infallible method available to identify the core competencies of an organization. Because these vary from organization to organization. It is possible that which is considered as core in one organization's context may be considered as non-core in another. However it is important to know what constitute as core functions in libraries? ALA Outsourcing Task Force (1999) reported that "core services are those professional activities that define the profession of librarianship. These include:

- collection development and organization;
- gathering and providing information;
- making the collection accessible to all library users, providing assistance in the use of the collection and providing oversight and management of these activities."

Librarians have different perceptions of where core services end and auxiliary services begin e.g. cataloguing, once considered as core service are now being outsourced by many libraries.

The following are the library functions that are generally outsourced by libraries: Cataloguing; Classification; Preservation; Shelving; Photocopying; Binding; Translation; Bar Coding; Members Identity Cards Preparation; Indexing and Abstracting; Database Management; Network Management; Web Site Designing and Maintenance; Microfilming; Printing; Retrospective Conversion; Digitization; Subscription Management; RFID Tagging, Temporary Staffing etc.

Reasons of Outsourcing

The main reasons why libraries should outsource their work are summarised below:

a) To concentrate on core activities.

b) Due to the lack of required staff and expertise in-house.

c) Operating and training costs can be reduced.

d) To increase the quality and quantity of product & services.

e) Value-added services can be provided.

f) To increase productivity.

g) User satisfaction can be ensured.

h) Skilled manpower can be bought at lower rates.

ADVANTAGES OF OUTSOURCING

There are many advantages to consider outsourcing by libraries. The reasons vary from one library to the next. However, the majority of the libraries consider outsourcing for the following advantages:

a) FOCUS ON CORE SERVICES: Outsourcing allows libraries to concentrate on core services and reduce time and effort spent on other peripheral functions. Outsourcing redirects staff to other areas within library and helps in introducing new services to users.

b) COST CONTROL: Another important reason to consider outsourcing is to reduce and/or control costs (use of contract labour over direct employment). Outsourcing can lower costs because the private sector contractors may be able to accomplish the task with fewer staff. Further, it reduces ongoing costs for permanent staff and training and overhead costs for space and equipment may be reduced.

c) ACQUIRE SPECIALIZED SKILLS AND EXPERTISE: Outsourcing enables libraries to acquire expertise with specialized skills and state-of-the-art capabilities that are not normally available in-house. Libraries can get benefited by contracting with specialists or professionals for specific tasks that the organization cannot afford to hire on a permanent basis or might not need except in particular circumstances. Many libraries outsource very specialized, technical and ICT related functions e.g. outsourcing digital preservation and RFID implementation functions etc.

d)IMPROVES PRODUCTION: Vendors are more production oriented than libraries themselves. Outsourcing increases productivity and often results in reduced turnaround time e.g. retrospective conversion carried out in-house takes more time than outsourced.

e) MORE CONTROL ON LIBRARY PROCESS: Outsourcing some activities does not mean that librarians loose their control on library process. Librarians have more control because they are working on the process and monitor constantly.

f) CONTROL OVER VENDORS: Through the contract, a library may have more control over a vendor and its performance than over its own employees. Libraries can ensure the consistent delivery of a quality product. If the quality is not satisfactory, libraries can always cancel the contract with the vendor.

g) IMPROVE COORDINATION: Managing relationship with vendor is essential for the duration of the outsourcing program. It requires cooperation among many areas of the library. Therefore, it enhances the communication between various departments within the library and promotes teamwork.

h) REDUCE/ SHARE RISK: Tremendous risks are associated with the investment in the new projects e.g change in technology, financial conditions, staff training etc. Keeping in view all these changes, libraries make investments on behalf of outsourcing vendors. Shared investment spreads risk and significantly reduces the risk borne by the library.

i) INTRODUCED NEW VALUE ADDED SERVICES: The outsourced vendor can provide new services, which are not offered by the library e.g. a cataloguing vendor can provide table-of-contents services which is normally not provided by the in-house library staff.

j) TAKING ADVANTAGE OF FUTURE TECHNOLOGIES: As new technologies emerge most libraries cannot immediately take advantage of them. Because of the high cost and learning curve associated with these technologies. However, the outsourcing service provider/ vendor is familiar with the new technologies, library will need to spend less time, finance effort and less risk in implementing the new technologies.

DISADVANTAGES OF OUTSOURCING

Outsourcing has become an established management tool. Many libraries have begun to consider outsourcing as an alternative to delivery service and in many cases individual libraries have made successful use of outsourcing. However, outsourcing presents both benefits and problems. If not done well, outsourcing can cause significant problems.

a) LOSS OF CONTROL: Loss of control over the outsourced operations is the most critical problem faced by the libraries, as staff has to renounce some control to vendors. Loss of control can take many forms and its implications differ according to the outsourced functions. Loss of control can be minimized in the following ways: retaining core functions in-house, linking outsourcing contract payments to specific deliverables; treating outsourcing companies as partners rather than vendors; ensuring that the outsourcing partner understands and supports the purpose and values of the library etc.

b) STAFF MORALE: Outsourcing affects staff morale because the changes inevitably associated with outsourcing produce high levels of stress and transfer from one section to other sections affecting the work of staff. Therefore, librarians may use the counselling for staff, in order to rebuild trust, encouraging them to learn new technologies and create a positive work environment within the library.

c) MORE COSTLY: Outsourcing does not automatically result in lower costs. It depends upon the library needs and terms of the contract. Outsourcing services may be more costly than in-house if they are done without proper planning. Librarians need to make proper comparison of cost a service or function whether it is provided by in-house staff or outsourced vendor.

d) DECLINE IN QUALITY: When a function is outsourced, there may be a risk that the new group doing the work will not maintain the same level of quality as previously established.

e) LESS LOYALTY: Contract employees are not as loyal as internal staff. Confidential information of libraries cannot be shared with contract staff. They are not the regular staff of the organization and feeling unsafe which reduces their morale and feeling of belongingness.

FACTORS FOR SUCCESSFUL OUTSOURCING

A successful outsourcing venture will depend on clearly communicating the libraries needs and expectations to potential vendors, determining which vendor will provide the best service for the specific functions needed and carefully creating a contract to reflect those expectations.

However, there are several general things to keep in mind when making the decision to outsource:

- understand core competencies
- focus on long-term benefits and goals
- familiarize to change
- choosing the right vendor
- properly structured contract

- managing relationship
- give the outsourcing process time to work
- keep a sense of humor