ANALYSIS AND RESOLUTION OF PROBLEMS EXPERIENCED IN GOVERNMENT / PUBLIC SECTOR ENTERPRISES DURING OUTSOURCING

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ABSTRACT

Outsourcing has come a long way to stay as a strategic weapon enabling companies to focus on their core skills and products as well as on more expansive business issues such as branding, strategy, and planning while non-core (but essential) jobs being handled by outside specialists. A company engaged in a well-calculated outsourcing initiative will benefit by focusing its resources on meeting the customer’s needs, having been released from dedicating resources/efforts to areas outside of its business expertise. Outsourcing can help managers set more specific priorities, and since their time and attention are not divided, they are able to deliver results. This as we can see involves some fundamental restructuring of organizations that carries enormous implications for all —executives, managers, employees, customers, and investors alike. It is already growing at a rapid pace and very likely will climb to 70 or 80 percent—as it already has for manufacturing sector – Government, Public sector firms are also no exceptions and are compelled to fall in. Outsourcing makes companies/organizations more productive and competitive; line due to recent changes which are sweeping on World-scale as we will be explaining in this paper. It also makes them more interdependent. While outsourcing’s impact is expanding rapidly, outsourcing itself is changing in very basic and important ways... Outsourcing is moving from a purely cost-based decision to one that is increasingly linked to a company’s go-to-market strategy increasing the speed, flexibility, competitiveness, and level of innovation taking place within organizations of all kinds. It is also going global, further elevating both the opportunities and the risks. All of these changes mean that new techniques, approaches, and tools for the successful and responsible use of outsourcing need to be identified, developed, and refined.

Keywords: Data Security, Employee Union, Government, Management, Public Sector, Problems, Pitfalls, Statistics, World Scenario.
1. INTRODUCTION

A brief description of history and evolution of public sector in different countries in the world including India is essential as it will definitely throw some light on what important roles it has played in shaping economic growth and solving different problems at different periods, what are their special problems especially because they are public sector etc. Immediately after independence India was predominantly an agrarian economy. Hence, the 1956 Industrial Policy Resolution gave primacy to the role of the State which was directly responsible for industrial development. The public sector provided the required thrust to the economy and developed and nurtured the human resources, the vital ingredient for success of any enterprise - public or private. Public Sector served as a good instrument for self-reliant economic growth during that time. Problems like inequalities of income, low levels of employment, lack of trained man power, weak industrial base, inadequate investments and infrastructure facilities, weak base of entrepreneurship, inadequate capital etc which existed during that period were solved to a great extent.

The first major change came from 1991 when as a result of some severe balance of payments and fiscal crisis, the government decided to shift to a liberalized economy with greater reliance upon market forces, a larger role for the private sector including foreign direct investment. The Government realized that a strong and growth oriented nation could be built if India grows as part of the world economy and not in isolation. Thus, liberalizing and deregulatory steps were initiated from the year 1991 onwards, which aimed at supporting growth and integration with the global economy. Since then, the thrust of New Economic Policy has been on progressive reforms like- Reforming Monopolies and Restrictive Trade Practices (MRTP) Act, to achieve reduction in the scope of industrial licensing, reduction of areas reserved exclusively for public sector disinvestment of equity of selected public sector enterprises (PSEs), enhancing limits of foreign equity participation in domestic industrial undertakings, Liberalization of trade and exchange rate policies etc. Industrial policy has also seen a big change with most Central Government industrial controls being liquidated. Further, since the setting up of World Trade Organization (WTO) in the year 1995, as an apex body at the international level, to which India is a signatory, the world trade has definitely grown thereby giving indications that international trade reforms do play an important role in boosting economic development of various countries. The Government has made a clear commitment to empowering the CPSEs and their managements. It was recognized that public enterprises could not compete effectively with private entrepreneurs without freedom to function and operate commercially. In Europe also the Public Sector emerged as the driver of economic growth consequent to the industrial revolution. But with the advent of globalization, the public sector faced new challenges in the developed economies. No longer the public sector had the privilege of operating in a seller’s market and had to face competition both from domestic and international competitors. Various countries around the world turned towards liberalism including deregulation and decontrol as they felt the need to compete at world level has finally arrived.

Meanwhile another major event which is sitting heavily on every one’s mind is the recent economic recession. The combined effect of all these factors has made the inevitable calls for cost savings in public spending even more urgent than before. All means to cut people’s tax expenses are being considered. Leading government /public sector executives around the world are considering and debating various urgent measures to achieve a dramatic improvement in their agencies, their governments and their public/private value models. They desperately wanted a cost-saving tool which creates better value for taxpayers while holding the promise of enhanced service performance. It should be capable of relieving fiscal
pressures and providing access to new sources of capital. They also realized that in the areas like IT services—the skills-gap needed to be filled. These executives after closely examining their various options began to lean towards outsourcing as a means to structuring deals and managing relationships that will launch their governments/public sector units toward a way of working that is decidedly more nimble and innovative. They realized that for improving their governments’ service profiles, expanding their capabilities and transforming their ability to deliver value outsourcing /business transformation outsourcing can play a leading role. Let us examine/understand the situation in more details.

2. SOME STATISTICS /TYPICAL EXAMPLES OF GOVERNMENT OUTSOURCING

We are giving some special/important Government sector - outsourcing was adopted with lot of success.

In US Department of Defence (DOD), adopted outsourcing as a management practice mainly with the intention of cost saving in the early 1990s in response to the post–cold war funding reductions that ran as high as 60 percent. Its goal was to cut operating costs faster than the budget was dropping in order to free dollars for reinvestment in modernization. As DOD began competing various internal activities against the commercial marketplace, it found that it generated, on average, a 30 percent savings. If the internal team won and the work was kept inside, the competitive process alone yielded an average 20 percent savings. If the activity was outsourced, then the average savings were 40 percent. The first 2,000 competitions DOD ran generated more than $1.4 billion dollars in annual savings. Areas outsourced included equipment maintenance and repair; base services, such as food and custodial; property construction and operations; and logistics.

Outsourcing is proving to be one of the fastest-growing segments of the US federal IT budget over the past few years. A study by INPUT (December 2004), a research agency, Its “Federal Outsourcing Market View” forecasted federal IT outsourcing will grow 55 percent from $11.7 billion in fiscal year 2004 to $17.4 billion in fiscal year 2009. That’s a compound annual growth rate (CAGR) of nearly 8.3 percent. According to Chris Campbell, Senior Analyst, Federal Market Analysis at INPUT, “An organization will be most effective when it focuses on things that it does best. In other words, the Department of Defence is best at fighting military actions, not administering data centers. The Federal Bureau of Investigation is best at investigating crimes, not developing software,” he continues. Cost savings are a further plus, the feds have figured out.

Another area where It is clear one trend is going to be a large increase in outsourcing by government /public sector bodies as they can no longer afford to manage IT in-house as it involves frequent upgradation both with respect to hard and soft ware requirements, expertise, skilled man power training, incorporating up-to-date safety enhancements etc. As Seymour Pierce analyst Caroline de La Soujeole explained this week, approximately £80bn of public sector services are currently outsourced but she predicts this could exceed £140bn by 2015. As this is a serious and abrupt development involving number of public sector IT personnel potentially losing their jobs novel approaches to outsourcing, like the one which provides a more comprehensive outsourcing package to businesses and organisations who can no longer manage their IT. This model allows businesses to outsource IT management, maintenance and the day to day running of their technology but, crucially, also includes internal employees within this too.

If we take the case of U.K– viewed as one of the economies hit hardest by the recent crisis, facing huge budget deficits to the tune of £175bn – thanks to an over-reliance on
financial services, outsourcing contracts already account for around 13% of government spending. UK is widely viewed as a ‘world leader’ in public-sector outsourcing wants to drive towards efficiency via outsourcing which has become its entrenched policy. The U.K government spent £7.57bn on IT, networking and related costs last year, excluding staff costs, according to figures released by the Office of Government Commerce (OGC). The biggest single spend, £2.33bn, was on outsourced and managed services.

In contrast the situation in US is often a highly confused and muddled and mired in controversies. Dissenters claim that the government needs to refrain from outsourcing because this is exacerbating unemployment in the country (especially in U.S.), and causes data in-security. But opposed to these considerations public opinion is steeped in anger on the cut-throat union monopolies contributing hugely to the disparities between equivalent jobs in public and private sector wages - Public sector salaries are far more lucrative on average than the private sector and pensions -- retirement benefits overall -- are leaps and bounds richer than their private equivalents eating into large chunks of tax-payers money. Perhaps outsourcing can play a vital role in reducing these disparities/problems.

In spite of all these controversies, Input forecast that state and local spending on outsourcing will increase from $10 billion in 2009 to $18 billion by 2010, a compound annual growth rate of 12%. A slow but steady improvement in the macroeconomic environment in 2010 should support a return to modest growth in overall IT spending, according to Gartner, Inc. Worldwide IT spending will reach $3.4 trillion in 2010, a 4.6 percent increase from 2009.

Among the bigger spenders in public sector outsourcing are the US, UK, Canada, India, Hong Kong, Japan and Singapore – who have been reported as the most experienced governments in outsourcing public sector processes. In India several examples can be cited for Government /public sector outsourcing. As a prominent example -Tata Consultancy Services and the Ministry of External Affairs (MEA), Government of India have recently agreed on a Passport Automation Project - the largest mission-critical E-governance project valued at over Rs.10,000 million. TCS after implementation of the Project will also manage it end-to-end. Passport to be completed in three working days, while passports issued under the Tatkal scheme will be dispatched on the same day, subject to address and police verifications of applicants. ADM, Data Management, and Infrastructure Management are some of the fields involved in this transaction.

In Australia outsourcing has already been accepted as a well-marked path to efficiency and cost management for the public sector. While it can be difficult to accurately measure the benefits, based on examples from both State and Federal governments outsourcing has delivered the following: Greater ability to manage costs and deliver improved quality of service; Best practices on a local and global scale; For example the contract between Australian Government (Australian Department of Immigration and Citizenship) and Unisys is worth US$39.7 million and the contract has been extended until 2013 (original contract from 2007). The field of activities covers a wide range - ADM, Data Management, Contact Support and Infrastructure Management.

3. THE SPECIAL AREAS FOR CONCERN AND CAUTION ESPECIALLY WITH RESPECT TO GOVERNMENT AND PUBLIC SECTOR OUTSOURCING ARE DESCRIBED BELOW

3.1 Concerns over data security

Government agencies naturally have to be risk averse and more cautious than the private Sector in their adoption of any new strategy/technology etc, handicapped by factors like soloed funding and decision making by consensus. The results of government decisions
are often made visible to everyone in contrast to the private sector, where many decisions are made in secret and remain hidden. So any mistakes made during outsourcing especially in the upkeep of security of data (this includes proprietary, member-related and potentially market sensitive information and software) are liable to bring in lot of bad publicity besides the main concerns of misuse of confidential data by unscrupulous elements.

Data points handled by the government range from the very trivial i.e. name, gender, age, to mention a few; to the extremely sensitive, i.e. home address, social security number, even health or biometrics records. Government projects may require centralization and universal access to these types of personal data for most if not all of the Government agencies. While such types of upgrades can largely improve efficiency, they also increase vulnerabilities to data security. Public sector undertakings also have to safeguard several sensitive details about their products, processes and intellectual property is one of our company's greatest assets, and when outsourcing, it's critical to take steps to protect it.

Many of these problems/embarrassments can be avoided if Vendors are selected after careful evaluation taking time to adopt thorough screening on the basis of good reputation, Integrity, Confidentiality, security, upkeep of intellectual property rights norms, good business model and quality standards etc. and also physically verifying that the confidentiality measures of the vendor we have selected are in place. Vendors with documented Information Security Management (ISM) policy in place, should be insisted upon. We should be providing any vendor with only the minimum proprietary technology or data needed to complete the project.

We should surely evaluate these security related policies carefully for both our firm, and the vendor firm. For instance, we should make sure that our own employees understand what corporate information is acceptable to share -- and what is not -- with an outside vendor. This includes the internal rules for authorizing access to company data. In turn we should make sure that our prospective vendors also have in place clear, enforceable policies for protecting the data shared with them. At the minimum, this includes signing a nondisclosure agreement, a non-compete agreement, and a non-solicitation agreement, as well as policies that prevent the vendor from creating unauthorized copies of our software or technology. We should always insist on clear documentation of all source code created during the project for our software. This becomes our company's property, and is legally protected. Finally, the organization must assign proper responsibilities, authority and accountability. The client must have people who are responsible for ensuring that security protocols are monitored on a regular basis. If violations do occur, they have the requisite authority to act and if they fail to they should be held accountable.

Sub-contracting should be strictly prohibited with suitable provisions in contract. In case it is required it should be done by mutual agreement and where appropriate, including terms and conditions relevant to the use of subcontracts with respect to confidentiality of member information and market sensitive information. We should give top priority to vendors who are recognized/approved by regulatory authorities as they have the right to check frequently to see strict security measures are being taken. We should also be aware that a loosely monitored long-term agreement can also lead to complacency, resulting in stretching the boundaries of the agreement, which, in turn, can lead to trouble especially in security area.

3.2 Formulating and contracting Termination Procedures

Outsourcing with third party service providers should include contractual provisions relating to the termination of the contract and appropriate exit strategies. Where an activity is outsourced, there is an increased risk that the continuity of the particular activity in terms of
daily management and control of that activity, information and data, staff training, and knowledge management, is dependent on the service provider continuing in that role and performing that function. This risk should be managed by an agreement between the firm and the service provider taking into account factors such as when an arrangement can be terminated, what will occur on termination and strategies for managing the transfer of the activity back to the market or to another party.

The following factors are important:

1) Termination rights, e.g., in case of insolvency, liquidation and receivership, change in ownership, failure to comply with regulatory requirements, or poor performance;
2) Minimum periods before an announced termination can take effect to allow an orderly transition to another provider or to the market itself, and to provide for the return of the third party’s data, and any other resources;
3) The clear delineation of ownership of intellectual property following the contract’s termination, and specifications relating to the transfer of information back to the outsourcing market.

Generally a properly structured legally binding contract broadly having the following provisions should be compulsorily insisted upon. Defining the responsibilities of the outsourcing firm and the responsibilities of the service provider and how such responsibilities will be monitored are given below:-

- Service standard levels, process for monitoring performance against these levels and related penalties;
- Confidentiality of information; Limitations, or conditions, if any, on the service provider’s ability to subcontract, and, to the extent subcontracting is permitted, obligations, if any, in connection therewith;
- Responsibilities relating to IT security
- Payment arrangements;
- Liability of the service provider to the outsourcing firm for unsatisfactory performance or other breach of the agreement;
- Guarantees and indemnities;
- Obligations of the service provider to provide, upon request, records, information and/or assistance concerning outsourced activities to the outsourcing firm, its auditors and/or its market authorities
- Mechanisms to resolve disputes that might arise under the outsourcing arrangement;
- Business continuity provisions
- With respect to outsourcing on a cross-border basis, choice of law provisions;
- Termination of the contract, transfer of information and exit strategies

### 3.3 Managing Outsourcing’s People Impacts

Governments/Public sector firms have traditionally offered employees job security at the cost of flexibility and difficulty using merit to make human resources decisions. Perhaps this traditional habit is making such a lot of difference in the way Private and Public sector are managed. But as more government agencies recognize the need for flexibility, and fewer people are willing to sacrifice opportunity for job security, the old model is beginning to break down. Naturally managing Outsourcing’s People Impacts in Government and public sector has to be done with much more care and deliberation. The most important and sensitive role will be played by the leader of the outsourcing team (team will work on a full time basis). This leader as already discussed should be chosen after lot of deliberation and analysis. He should be a real "leader" rather than a “manager” always aware of requirements of the involved personnel including the emotional part. Outsourcing is definitely going to
cause lot of changes to both processes and personnel and no doubt it is going to be one of the most daunting and tricky job for the manager in charge of outsourcing. Those involved and affected are bound to feel insecure, suspicious, angry, let-down, and de-motivated. So it is very important to anticipate this development and be ready to meet the challenge or these feelings may short-circuit the initiative before it even gets off the ground.

To prevent this from happening in the organization should first do a long “homework” to be ready with an accurate account of the following information:-

Before everything the first and foremost important job every management is to educate the employees that they will need to change along with the business, if they expect to secure a place for themselves in the future especially in the most hyper competitive environment existing to-day, the need to equip themselves to do well in advanced/rapidly changing technologies. They should be made aware that To-day’s Products and processes may become obsolete after even one or two years to say the least. Employees should also be systematically educated about what, how and why about outsourcing, which is becoming a powerful tool for advancement and achieving prosperity. Now coming to the list of important points company should list out are given below-

1) Which functions will be outsourced, where, and when?
2) The reasons for the change (i.e., reiterate the corporate vision and goals)
3) The crucial factors in the decision-making process (e.g., finding the right provider)
4) Who the project team members and the decision makers are?
5) The timelines involved.
6) The anticipated impact of the change on the company at large and the individuals in it.

Obviously there is a direct correlation between employee satisfaction and the way the company manages the outsourcing transition process. Communications and timeliness are integral to employee satisfaction, and the more satisfied employees are with the support provided by their current companies early in the transition process, the more satisfied they ultimately are with the overall process. This means that well in advance of any discussions about a specific outsourcing initiative or a specific contract, management should already have a clear plan for how it’s moving the organization forward. This includes articulating a positive vision for the future of the organization, its people, its communities, and the markets it serves—a vision that shows how everyone will be better off when they’ve adjusted to the new environment in which businesses operate today.

3.3.1 There are some specific points that management should be prepared to address in communicating with employees and the community. They are briefly as follows:

3.3.1.1 What is the compelling need for change?

This may involve such factors as: changes in customer needs and demographics; competitive pressures; technology; financial performance and structures; and regulatory changes; as well as other factors specific to the business itself. Every decision that management plans to make should be clearly be connected to addressing one or more of these needs for change. Another way to explain the same may be explaining the cost of doing nothing—in terms of its likely impact on the business’s performance and its ability to serve its customers, employees, and shareholders—may make the need for change much more real and compelling. It is management’s primary responsibility to educate the Employees and the community about this connection, It should also be further emphasized that future should be one of our own making and not one imposed on us by others.
3.3.1.2 Making the choice of instrument for changes

The usual tools available to make changes for restructuring are -. Mergers, acquisitions, divestitures, changes to the organization’s operating and financial structures, cost-cutting initiatives, technology, process redesign, partnering, sourcing, and outsourcing are just a few. Management needs to provide its assessment of the viability and role of each.

3.3.1.3 Role of outsourcing within the overall change agenda

What is the specific role of outsourcing? Where and how does it fit? What is the process that management uses to evaluate outsourcing opportunities? What are the key factors for determining where and when it is the right tool for the job? Management must first answer these questions for it and then be prepared to answer them for others.

3.3.1.4 Benefits and implications for the organization.

What are the benefits and implications for the organization of outsourcing - Will it reduce costs? And how will the money be reallocated? How will it impact the speed, innovation, and flexibility of the organization? How will these benefits actually be realized, and when? Employees are far more likely to embrace change when they understand how the change will create a positive outcome for the organization in total.

3.3.1.5 Benefits and implications for the customers.

Management must go on to explain how the organization’s customers will benefit. How will the quality of the organization’s products and services be enhanced by outsourcing? How will its resources be redeployed? Why will customers react favourably to the change? The answers need to be clear and well thought out. This information will go a long way to dispel the suspicion that outsourcing was solely aimed in saving money at the expense of employees and customers.

3.3.1.6 Benefits and implications for employees and the community.

How will outsourcing affect the individuals—both those in-scope and those out-of-scope? What is the organization prepared to do to work with those affected? What is it not prepared to do? These questions are of immediate concern to in-scope employees, but the answers are just as important to those who are out-of-scope as certainly they will realize that their area may be under consideration for outsourcing in the future.

3.3.1.7 Timelines.

When will decisions be made, and once made, what’s the timeline for their implementation? Management should establish a framework for how it does its work so that employees have a roadmap to follow going forward. In its absence, individuals are left to their own speculation as to when decisions may be made and how long they will have to react to the changes that may be thrust upon them.

3.3.1.8 Proper and effective communication

There is simply no substitute for open and honest communications. Management may not always have all the answers, but those that it does have should be shared, and those that it doesn’t should be acknowledged with a timeline for developing the answer. Another important task of the organization planning for outsourcing is to make its human resources professionals part of the team evaluating outsourcing from the beginning, also play a major role once the announcement is made. A structured meeting between staff members and human resources following the announcement allows employees to express their concerns,
frustration, anger, or excitement. In addition, human resources professionals are well equipped to explain in detail the transition process and the options available to the employees. Likewise, we should plan ahead for ways and means of information distribution like: Large formal meetings, smaller, less formal meetings; newsletters etc; group presentations, individual discussions, bulletin board postings, in personalized e-mails are some of the methods suggested. It’s also very important to communicate first with supervisors and managers. These individuals are the front line communicating directly and continuously with employees. After doing all the homework as described above taking the following steps will be in order:-

- Reemphasize to the employees the need to change along with the business, if they expect to secure a place for themselves in the future competitive environment, rapid technology advancements.
- Involve staff early in the plan by circulating a clear vision statement and a communication plan of the company’s goals. This will help build their trust, which will make them more willing to accept the changes and lend their support.
- Then, prior to launch of the outsourcing initiative, describe to your in-house plan administrators and all employees how the new processes will be implemented and how they are to use the new system. Where there will be reassignment of duties or responsibilities, give staff time to make the transition and grow into their new roles. If they need to acquire new skills, provide them with training.
- Keep staff motivated, by encouraging them to accept the greater challenges incumbent with their new roles.
- Avoiding blindsiding anyone can only serve to cause the aforementioned negative and defeatist feelings. We should decide what needs to be communicated, and when. We can also ask the service provider we have chosen to support this effort in the form of user start-up kits, user guides, and administrator manuals. We can arrange for hands-on training sessions, and make them convenient for all staff to attend if necessary.

If any employees within the potential scope of an outsourcing project are represented by unions, the earlier the union is involved and brought to the table as a partner, the better. Early discussion and frank dialogue can actually lead to creative approaches. For example, when Bell Canada decided to outsource its residential installation and repair business, its union created a company to take over the work. The result was maintaining the current workforce and creating new opportunities for the union and its members. The challenge, and responsibility, for managers is to demonstrate through word and action that, far from meaning the loss of choice and other negative consequences, outsourcing can and does produce very positive results for employees.

3.3.1.9 Creating Positive Employee Outcomes

For those employees taking on new jobs within their current company, the new business structure creates new opportunities for them. New jobs in managing and integrating the work of the two companies are created. Opportunities for job rotation between the companies can help employees build their skills and experiences. Training based on the unique competencies of the provider’s organization can help develop new skills. Participation in joint management and quality improvement teams provides additional opportunities.

New career opportunities are created for employees going to work for the provider as well. These individuals are going from back-office jobs to front-office jobs. They now work for a company that views their skills as revenue-producing, not as revenue-supporting. As a
result, the training they’ll receive is a real opportunity for personal growth and development. Often, it’s training that was simply not available to them while they were doing that same work for their former company.

Although some job loss occurs before, during, and after outsourcing, service providers generally need many of the client’s current employees and often work hard to attract and keep them. Outsourcing can also be a catalyst for entrepreneurs. The result can also be greater opportunity for career advancement, employees retaining/continuing their jobs with service providers etc. This fact will be illustrated by giving some typical examples.

P&G, a $57 billion company in fiscal year 2005 made one of the biggest outsourcing contract in the fields like facility management, project management and strategic occupancy services functions on such a scale that service provider, Jones Lang LaSalle, oversees 14 million square feet of real estate at 165 sites in 60 countries. Nearly all of the 550 P&G facilities employees kept their jobs and became Jones Lang LaSalle employees once the company signed the outsourcing partnership. Even after a little more than two years into the contract, more than 98 percent of the people who had worked for P&G prior to the outsourcing agreement have chosen to stay and work for Jones Lang LaSalle. At the time of the transfer, 33 former P&G employees became site leaders; since the transfer, an additional 20 people have been promoted. “That process was very thorough, so that when we did make a decision, it made sense to people. Because we had open communication and tried to create transparency, the switch was easier for people.”

Another strategic long-term decision by P&G to partner with IBM to ensure continued “best in world” HR capabilities and continued cost reductions. For IBM, the P&G people and capabilities strengthen and accelerate its global HRO offering. This transaction is a testament to the viability of the HR outsourcing (HRO) business model and is one of the first with a truly global scope. IBM agreed to support nearly 98,000 P&G employees in nearly 80 countries worldwide, including those in 12 European countries. The services provided included payroll processing, benefits administration, compensation planning, expatriate and relocation services, travel and expense management, and human.

Take the case of Delta Airlines. Delta outsourced 1,000 call-center jobs to India, saved $25 million in the process and then hired 1,200 Americans for higher paying reservation and sales positions. Notably, the company outsourced without laying off any employees.

Donaldson Co. Inc. is a Minnesota-based company that makes filters that are used as electronic components in computers, MP3 players, and digital video recorders. Facing competition from overseas manufacturers with much lower prices, the firm shifted production to China. But the design work is done in America, by Donaldson’s highly paid team of engineers, chemists, and designers. Off shoring production helped increase Donaldson’s U.S. based employment by 400 employees since 1990. What if the company had refused to go offshore? “We’d be out of business,” says an executive.

### 3.3.1.10 Managing public perception about the present outsourcing venture

Outsourcing engagements do not require public opinion management when they don’t attract media attention. Either we create no public perception through little or no media coverage. or if forced by inevitable circumstances we should be prepared to create a positive perception by featuring innovative aspects of the deal. It is important to remember to treat outsourcing as a local issue in each affected community and employees are the key to the media. Layoffs and other features of the outsourcing deal attract the media, and disgruntled employees nourish negative press.
These are some of the important points/broad guidelines based on which the various problems in this area can be solved, but one should remember there is no universal or ready-made solution to every problem.

3.4 To check whether QA/testing processes are in place with the service providers

This is also very important aspect generally not given the priority or importance in the selection stages. When outsourcing it is highly important to assess physically whether the vendors have adequate QA/testing processes in place or whether they have a tie-up with reputed practitioners in this field. Waiting for product release to find out what bugs/problems are present is not the best scenario. We can eliminate this risk by taking time to check on the QA processes a vendor uses. The some of the main reasons that QA isn't done, or is done inadequately, are: - The service provider lacks its own QA/testing team and assumes the client will complete this in-house. Or the project has a tight deadline, and so QA testing is done rapidly or set aside to give development a priority. Or the vendor doesn't fully understand the system requirements, and so testing doesn't cover them etc.

Other problems like there is a limited choice of number of companies(vendors) that can participate in this sector Because government agencies are under constant public scrutiny, they would rather avoid contracts with companies which are relatively less renowned than the major players and also small and medium players even though they may be highly suitable for certain jobs. These type of problems can be solved by giving these vendors small or medium scale jobs to start with to study/test their overall performance and gradually make them suitable for more and more bigger challenges.

3.5 How to measure success.

Finally, how will the organization’s management know that the desired outcomes are being realized? How will it capture and share that information with its employees? Management’s ability to answer this question is central to its ability to present the outsourcing decision as one that was reached with a full understanding of the implications to the business and how the benefits will be measured and ultimately achieved.

4. SOME GENERAL TIPS FOR SUCCESS IN ANY OUTSOURCING ENDEAVOUR (EITHER PUBLIC OR PRIVATE SECTOR) ARE GIVEN BELOW:-

Basically we have to carefully plan and execute the following most essential steps with extreme care and attention –

- Understanding company goals and objective.
- A strategic vision and plan.
- A firm and well thought-out decision on when and what and how to outsource.
- Selecting the right vendor (with special importance to trust-worthiness, ability to complying with regulatory authorities.
- Ongoing management of the relationships.
- A properly structured contract (with suitable /relevant confidentiality clauses etc).
- Open communication using all advanced means with affected individual/groups (also involving the unions).
- Senior executive support and involvement.
- Careful attention to personnel issues.
- Short-term financial justification.
• We should also be aware of and anticipate the special problem areas, pitfalls, stumbling blocks etc in the process execution and plan well ahead for suitable solutions if any.

5. FINAL THOUGHTS AND ROAD AHEAD

In present time it would be difficult to find any organization Private or Government that is not outsourcing, to some extent, in just about every part of its operation. Moreover neither the idea of outsourcing nor the term itself is particularly new. The Outsourcing market is estimated to grow tremendously in the coming years with an increasing number of companies planning to outsource both low end and high end jobs to shore/offshore destinations. Also the number of companies providing outsourcing services is on the rise, thus resulting in larger variety. Due to the fact that more and more companies are outsourcing, the risks are getting smaller as businesses have more experience and clearer objectives. The typical manufacturing company now outsources 70 to 80 percent of the content of its finished product. Most recently, organizations have started outsourcing entire back offices, performing work as diverse as customer order processing, payroll, accounts receivables, and accounts payables etc through outside specialists. Some of the typical statistics given in this paper go to show how the outsourcing market is growing at a rapid pace in spite of many controversies and oppositions that too even under lot of political pressures weighing in against it.

As outsourcing has definitely come to stay we have a tremendous responsibility on our shoulders if we want outsourcing is to remain and continue as one of our important growth engines. To achieve this goal Government and industries (both public and private sectors) have to play vital roles. First of all awareness should be created about the phenomenon of outsourcing and its latest developments like BPO, KPO, BTO etc even at university level. All the executives especially at senior levels of all big, medium and small companies belonging to both Public and Private sector should be thoroughly educated/trained about outsourcing so that their minds should be constantly thinking in a broader or even a global level and they should be made aware that the concept of outsourcing is a valid one, to be carefully and continuously considered. Further they should be made to realize that to achieve and sustain success in outsourcing it requires careful planning, aggressive and intelligent leadership, vision, risk taking ability, lots of imagination and sustained hard/smart work.

6. BIBLIOGRAPHY

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