

Impact Of Outsourcing On Business Organisation In True Color Pvt. Ltd

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Abstract- *The study assesses The Impact of outsourcing on business organisation Performance and it is done in True Color Pvt.Ltd. It focuses on the benefits that companies get in outsourcing for non-core activities and core activities. The study uses the Prime objective to study impact of outsourcing on business organisation Financial and non-financial performance and secondary aim to determine how outsourcing affects the organisation efficiency.Data is collected from responses of the questionnaires in True color Pvt.Ltd from the 30 employee or managers in order to get accuracy. Data analysis was done using statistical packages for social sciences (SPSS) and descriptive T-test technique undertake in this research. The results reviewed that: Outsourcing bring Both financial and non-financial benefits to the company in term of high-quality raw material and also assist to delivery good at time which satisfy client Moreover, Outsourced manufacturing services are more cost effective than in-house services.This therefore shows how important outsourcing is and other companies should adopt it just like True Color Pvt.Ltd has done and get good quality services from experts as well as more time for core activities like production.*

I. INTRODUCTION

Outsourcing is using an external supplier for services to a company that cannot provide them for itself, or cannot provide them in an efficient way. Almost all business functions Have become complex with globalization, technology, and competition progressing at a speedy pace. By strictly analysing the motivations, prospects, and justifications for Outsourcing basic supply chain functionality, enables companies to make better and Sound decisions hence generating progressive yields and shareholder value (Min, 2012). A firm has to carefully consider and analysis the cost factors, performance gaps, Financial impact and suitability for outsourcing so as to produce high yielding Outsourcing strategies and adaptation. Outsourcing basically requires trust since Transferring functions of supply chain operations to an external provider is usually a difficult task for organizations that have no good relationship with their Providers (Vinod, 2016).

Outsourcing in organizations

According to Maurice (1999), Outsourcing is the act of transferring some of an Organization’s recurring internal activities and decision rights to an external provider. Aksoy and Ozturk (2012) defined outsourcing as a plan by which organizations assign Major, non-core functions to experienced service providers who are experts in that field.

According to Narayanan (2009) there are four strategic reasons to Outsource: enhanced cash flow, better control of payment, adaptable staffing and to Improve overall business performance. Jiang and Qureshi (2006) stated that companies Planning to outsource need to evaluate the cost factor and if the reduction of the current operating cost is achievable through outsourcing then the resources available can be ploughed back to achieve a competitive advantage.

Drivers of outsourcing:

Quality actual capacity, Finance, Core business

Benefits and Limitation of Outsourcing

Benefits: Cost saving, Specialisation, Access to innovation

Limitation: Risk of exposing confidential data,Synchronizing the deliverables,Lack of customer focus

II. LITERATURE REVIEW

Md. Sarifuzzaman (2012) had done research on Impact of Outsourcing on Company Performance: Study on a Local Public Limited Company in Bangladesh. To investigates the firm outsourcing strategy design, operation model and impact on company performance. They use Data primary and secondary data (Questionnaire and Annual Reports) and use Techniques of Cross-Sectional and find conclusion that outsourcing incorporates a wide variety of advantages for organization that leads to a conclusion that, outsourcing brings lots of benefits for the organizations. Research Gap was organizations were not interested to provide data about outsourcing.

Ali Nazari, Reza Gholami and Sadra Rashidi (3rd July 2012) done research on outsourcing and Its Impact on Operational Performance. The aim of this research is to

examine the propensity to outsourcing and its impacts on operational objectives including cost reduction, improved quality, flexibility and better service and organizational performance, which includes financial performance and non-financial performance. They use Data Primary (field research and questionnaires) and use Techniques of K-s Test and concluded that outsourcing could lead to reduce cost, improve quality, increase flexibility, better financial and non-financial performance and services. Research Gap future study possible on quality evaluation of performance.

PASCHAL LETIAS BANDA (23 April 2019) conducted research on THE IMPACT OF OUTSOURCING IN THE TOBACCO INDUSTRY IN MALAWI. The main purpose of conducting this research study was to find out what impact the outsourcing practice had brought to the Malawi Tobacco Industry in Malawi and in particular AOTM since its implementation. Data both from primary and secondary sources. Regression techniques used. Result show that this study has revealed some of the factors that have led the AOTM and other tobacco companies to outsource non-core activities to the external service providers. These factors include; concentration on core activities and to make cost savings and as for AOTM corporate office the aim was aim of concentrating on their primary activities while improving on overall effectiveness and efficiency when delivering services to their ultimate customers

MPAMBARA Frederick, UWAMAHORO Annie Justine, & UWAMAHORO K. (2017) had conducted study on The Impact of outsourcing activities on organisation performance of a private company, A CASE STUDY OF BRALIRWA LTD identifying and assessing outsourced activities, assessing the level of organizational performance and establishing impact of outsourcing activities to the organizational performance. Primary and secondary data were collected using questionnaire and documentary techniques. Data were processed through editing, coding, classification and tabulation. Study concluded that BRALIRWA Ltd outsources noncore activities which are part of logistics, distribution, security, manpower, cleaning, and motor vehicles repair and kitchen staff

Karsten Bjerring Olsen (2016) done research on Productivity Impacts of Offshoring and Outsourcing for the purpose of this paper to give an overview of existing research on offshore outsourcing and its impact on productivity to collect data he used both primary and secondary data and to analyse they use TFP growth breakdowns and ANOVA analysis and come to conclusion that the review is that there appears to be no clear patterns as to how offshore outsourcing affects productivity, and that much depends on both sector and

firm-specific characteristics. Research gap is lack of information on services, a brief overview of different offshoring surveys will be covered.

III. RESEARCH METHODOLOGY

3.1 Research problem

Outsourcing has much impact on the organisation. So, to identify the effect of outsourcing the study has been conducted.

3.2 Research Statement

Outsourcing is a very crucial function in an organisation because it directly affects organisation Performance on both financial and non-financial in True color Pvt.Ltd.

3.3 Objective of study

Primary objective:

1 To study impact of outsourcing on business organisation Financial and non-financial performance.

Secondary objective:

2 To determine how outsourcing affect the organisation efficiency.

3.4 Scope of Research

The research was conducted amongst the manager and employee of the True color Pvt.Ltd. The employee was from the HR departments, Finance/IT departments, import/export department and Marketing departments

3.5 Research Design

Descriptive research design was used in this throughout study. The design is mostly preferred because the study sought to find Impact of outsourcing on business organisation Performance of textile company True color Pvt.Ltd.

Descriptive studies are closely associated with observational studies, but they are not limited with observation data collection method. Case studies and surveys can also be specified as popular data collection methods used with descriptive studies. The design can be used whenever one is collecting data or Information about people's attitudes, opinions and habits by conducting interview guides or questionnaires for detailed analysis

3.6 Data Collection

Data is collected from responses of the questionnaires in True color Pvt.Ltd from the employee and manager.

Sample Size: 30 Respondents

Sampling Method: Questionnaire

3.7 Data Analysis Technique

Various statistical test applied on the data collected in order to interpret the data are as follow:

- Frequency and Percentage analysis
- T-Test analysis

IV. ANALYSIS

Reason

Table 1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cost	9	28.1	30.0	30.0
	Quality	11	34.4	36.7	66.7
	Service	5	15.6	16.7	83.3
	Others	5	15.6	16.7	100.0
	Total	30	93.8	100.0	
Missing	System	2	6.2		
Total		32	100.0		

In true color most significant reason for the outsourcing is quality of raw material they use for their production and another reason for company to outsource is service like marketing, legal process in countries like Japan and china.

T-test Analysis

Factor	Hypothesis	
	H0	H1
outsourcing had led to timely delivery of goods/services have effect on the organization	Rejected	Accepted
outsourcing has helped this organization increase quality of products/services	Accepted	Rejected
Outsourced manufacturing services are more reliable than in-house services	Accepted	Rejected
Outsourced manufacturing services are more cost effective than in-house services	Accepted	Rejected
the outsourcing performance has met or exceeded expectation with respect to total annual costs	Rejected	Accepted
Material provider share same compatible and polices	Accepted	Rejected
Outsourcing helped to expand into other markets	Rejected	Accepted
Outsourcing helped to become more Competitive	Accepted	Rejected
Outsourcing helped to promote growth	Accepted	Rejected
Outsourcing helped to improve quality of products	Accepted	Rejected
Outsourcing led to improve management of resources	Rejected	Accepted
Employee overhead costs have reduced by outsourcing	Accepted	Rejected

V. FINDING

The study found out generally that outsourcing influences organization performance. Majority of the Respondent agreed that outsourcing has influenced the firm’s operational costs and raw material quality.

- Study show that out of 30 respondent 77% were Male and remaining 23% Female
- From these respondents it shows that the prime reason for outsourcing is cost and quality because out of 30. 29% agree with cost and 36% agree with quality
- Outsourcing have influence on both finance and non-finance performance because From the T-test analysis holding all independent factors a constant then organization it is stated that other than timely delivery, total annual cost expectation and improvement of resource or reduction on overhead cost employee all other factor such as improved quality of product service and cost are more reliable and effective than in-house has influence on company outsourcing because out of 12 finance and non-

finance factors only 5 hypotheses rejected with below 0.05 and other all are accepted with above 0.05

- But still is hard to find out risk associate with the outsourcing

VI. CONCLUSION

From the above study, it is clear that outsourcing positively increases the finance and non-finance performance and efficiency of organisations; that is to say, it improves the quality of raw material, Outsourcing helped to become more Competitive,

Outsourcing helped to promote growth; Outsourced manufacturing services are more reliable than in-house services, new expertise, core competence concentration, and speed up delivery and increase revenue / profits. Therefore, the rate of organisational performance as a result of outsourcing is high in both short and long- term and many business executives are committed to attach their success to the outsourcing process.

In the previous chapter, we find that to a greater extent, outsourcing is very relevant in True Color Pvt.Ltd, however, it is not in order to judge outsourcing as trouble free since it is associated with some calamitous results and firms need time to apply clear outsourcing methodologies in order to realize its full usefulness.

VII. RECOMMENDATION

Companies need to look at their financial stability, efficiency of the outsourcing service

Before embarking on any.

- For organisations to measure outsourcing effectiveness as regards performance, they should put in place a standard format of measuring performance such as performance evaluation, performance ratios and performance appraisal such that the success from outsourcing g management point of view is the same as what clients deem to be success.
- Organisations should outsource their noncore business to outside providers that can bring great competitiveness. This is because outsourcing gives company staff more time to concentrate on core competences to produce better quality products and outcompete their competitors in the market hence a competitive advantage.

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Questionnaire

Background information

1. Name _____
2. tick your gender as listed below
Male Female
3. tick the age bracket you fall into as listed below.
Below 25-30 years 35-40 years
40-45 year above 45 years
4. What is your position in this organization?
Head of Import/Export Head of Finance/IT
Head of operations Head of Marketing
hr _____
5. What is the length of service in this organization?
0-2 years 2-5 years
5-7years above 7years

Section-1

1. Has outsourcing had any effect on organisation?
Yes No
2. Did, it has any positive effect?
Yes No
3. Did, it has any negative effect?
Yes No
4. What is reason for outsourcing?
Cost Quality
Service Others

Section-2

By using the following scale: Strongly disagree (1) Disagree (2) Not sure (3) Agree (4) strongly agree (5), Kindly show your level of agreement showing the extent to which statements applies in your organization by ticking your response corresponding to the number in the scale given above in box against statement

No	Statement	1	2	3	4	5
1	Manufacturing/production outsourcing had led to timely delivery of goods/services in the organization					
2	Production outsourcing has helped this organization increase quality of products/services					
3	Outsourced manufacturing services are more reliable than in-house services					
4	Outsourced manufacturing services are more cost effective than in-house services					
5	We feel that the outsourcing performance has met or exceeded expectation with respect to total annual costs					
6	We and our provider share same compatible and policies					
7	Outsourcing helped to expand into other markets					
8	Outsourcing helped to become more Competitive					
9	Outsourcing helped to promote growth					
10	Outsourcing helped to improve quality of products					
11	Outsourcing led to improve management of resources					
12	Employee overhead costs have reduced by outsourcing					