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**IMPACT OF BUSINESS PROCESS OUTSOURCING FIRMS IN
IMPROVING WORK PERFORMANCE: A STUDY ON AUSTRALIA**

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ABSTRACT

The purpose of this report is to analyze the effectiveness of business process outsourcing firms that are located in Australia and their role in increasing the work performance of various functions that are outsourced by their clients. Moreover, the report will also analyze the type of businesses from different industries that are usually found to utilize the services of these business process outsourcing firms, as well as the common functions for which the services of these BPOs are highly demanded. Furthermore, analysis of the various problems that these BPOs are currently facing will also be made in the report, especially the intense competition from the offshore companies that are increasing the pressure on these BPO firms in Australia.

Lastly, the report will also assess how these BPOs are helping their clients in different ways to enhance their performance, in terms of lowering their costs or increasing their profitability. For these purposes, qualitative research has been carried out in this report by analyzing the secondary data in literature review related to the work activities of the BPOs, which include various journals, published reports and articles. In addition, recommendations and conclusion have also been given at the end of this report, which will indicate that whether it is beneficial for the businesses at Australia to utilize the services of these BPOs or not.

Keywords – Business Process Outsourcing, Australia, Outsourcing, Offshoring, Work Performance

INTRODUCTION

Many organizations, from various industries, are utilizing the outsourcing services to improve the performance of their different functions, all around the world. The reliance on these outsourcing firms has also increased dramatically within Australia, because of the numerous benefits which these organizations provide to their clients, especially small-medium enterprises (SMEs). These benefits range from saving the time and costs of the client and increasing the productivity of the function which is outsourced by the client more efficiently than it otherwise would have been if the client or the company carried out that function by itself (Duan, Grover, Roberts, & Balakrishnan, 2014).

This is because these outsourcing firms are specialized in providing their services related to various functions as they utilize highly qualified and professional workforce, to carry out the outsourced tasks. Many businesses, especially small firms, face the problem of lacking the necessary efficiency or expertise in a particular area or department, such as sales and marketing, which encourages them to take the services of the outsourcing firms, in order to enhance the work performance of those areas. Another reason why many businesses choose to take the services of these business process outsourcing firms is that it allows them to better focus on their core areas. For instance, if a core area of a particular business is manufacturing, then by taking the services of a BPO firm for a non-core area, such as financing, would allow it to better dedicate its time and resources on its key department or functions (Oshri, Henfridsson, & Kotlarsky, 2018).

These outsourcing firms also save the resources and costs of their clients in numerous ways. For instance, by taking the services of the BPO firm for a particular department, a business is able to save its cost related to hiring new employees for that outsourced function or department. In addition to this, it also helps the business by giving it more work space within its premises, which can be utilized to expand the capacity of the core functions. These reasons again increase the demand for the services that are provided by the various outsourcing firms (Rai, Keil, Hornyak, & WüLlenweber, 2012).

BUSINESS PROCESS OUTSOURCING INDUSTRY

Business process outsourcing industry is one of the flourishing industries in Australia. There are numerous reasons why different small to mid-size businesses in various industries choose Australian BPO services to carry out their operations (Beaumont & Sohal, 2004). According to one journal article, factors like obtainability of professionals who are proficient in English speaking skills, rational connectivity rates, operational costs and viable infrastructure makes the Australian BPO industry more lucrative and attractive for many businesses. Ojha (2014) also reported that even though the country is facing economic and political volatility, but many customers are still demanding these outsourcing services because of their attractiveness.

One of the main factors for SMEs to approach these outsourcing businesses is their lack of competency to sell their merchandise. Shorthose (2013) reported that outsourcing of salespeople is frequently used in manufacturing and marketing firms where they are used to gather prospects through their interpersonal communications to establish pre-purchase stimulations for the products and services within the customers. These salespeople are trained to capture customers in front of the shopping malls, self-service shops and departmental stores by arousing the attention of the customers in the products which they are trying to sell on behalf of the businesses for which they are hired (Adamson, Dixon, & Toman, 2012).

According to Lacity and Willcocks (2014) within the software industry, survival of software outsourcing firms in Australia requires them to be highly effective in providing value and accuracy at the right time. But many software outsourcing firms still fall behind their plans and exceed their budget,

which disappoints many customers mainly due to failures in managing projects. Combine efforts of both the government and software professionals as well as proper project administration can make Australia an attractive industry for software outsourcing as failing to manage outsourced software projects effectively in the prevailing economic crisis cannot be compromised at all in the tough competitive environment (Sun, Gregor, & Keating, 2014).

Jayaraman, Narayanan, Luo and Swaminathan (2013) stated in their report that within the telecommunication industry of the main factor that motivates many businesses to avail outsourcing services is mainly associated with their need to reduce their overall costs and effectively compete in global markets. The factors which were considered significant in this regard for outsourcing in telecommunication were a routine cost reduction of operations, optimizing capital outlays, count control heading, flexibility as well as the proper utilization of new technology.

Similarly, according to the report of Mani and Barua (2015) management accounting practices are also frequently outsourced in Australia. These practices are mostly associated with transaction cost economics and resource-based view. They argued that factors, such as non-routine jobs occurrence, specificity of the assets, opportunism, the bookkeeper's credibility and competition have a significant impact on outsourcing of practices related to accounting. Their findings revealed that small to medium sized businesses, with limited resources, should outsource their conventional in-house practices of accounting to external professionals of accounting who are specialists in this field. Similar research of Nicholson and Aman (2012) also concluded that if bookkeepers who are providing their services to these SMEs, especially manufacturing firms,

wants to increase their services for these businesses, then they should provide more services to knowledge centred professions and should also emphasize on improving their interdisciplinary skills.

Furthermore, in another study by Michela, Carlotta and Andrea (2012) within the banking segment of Australia, firms that cost-effectively outsource their activities are better able to achieve overall performance efficiency. Likewise, call centre services mostly out-bound that are voice-based are also grown substantially in Australia with the potential to generate high cash revenue for the overall economy in the future.

COMPETITION AND BPO INDUSTRIES AROUND THE WORLD

One of the toughest competitors for Australian IT-BPO industry is the Indian IT outsourcing firms which are growing at a very fast pace. According to Nakra (2014) IT-BPO firms are increasing gradually in India as the demand for IT services is continuously increasing from clients, businesses, as well as the government for various assignments and in different industries, such as telecommunication. They further stated that one of the main reasons for this increase in demand is because of the convenience and efficiency of both their communications and infrastructure.

Moreover, Nakra (2014) also stated that these BPOs based in India also handle their customers' confidential data very carefully and for that, they follow standards like ISO 27001. Furthermore, these IT companies also continuously look for new ways to improve their safety vulnerabilities, and they constantly monitor the environment to assess their current safety issues.

Even the Indian labour market for IT-BPOs is very attractive and competitive as they employ mostly young people on very high wages for different project based jobs and contracts (Lahiri, Kedia, & Mukherjee, 2012).

The Kenyan BPO industry is also improving their services too after witnessing the progress in Indian and Filipino BPO sectors according to the report of Mann and Graham (2016). They further stated that managers are increasing their investments in both the global internet arrangements and advertising campaigns of BPOs and the government is also trying to capture more global BPO companies. Capturing domestic clients by BPOs and support by the government to encourage modernization in ICT which is also leading to an increasing flow of data in the economy of Kenya are bringing both the advantages and threats, which is inconsistently dispersed within the groups (Wausi, Mgendi, & Ngwenyi, 2013).

The collaboration between the outsourcing businesses and domestic software inventors could enable Kenyan BPOs to provide higher value in the long run. However, the craving of the Kenyan government to capture multinational businesses may bring a threat to the existing local Kenyan BPOs. Multinational takeovers could harm the capability of making the decisions in these businesses, which may lead to inefficiency of skill improvements and societal mobility. Losing control like this could also make foreign businesses and governments to gain easy access of Kenyan government and their flows of data within the corporation that, in turn, can bring security threats and ethical issues in the future (Mann & Graham, 2016).

BENEFITS OF OUTSOURCING

Pant and Lado (2012) stated that outsourcing has now become mandatory for every organization and almost every multinational companies are utilizing outsourcing services to use their scarce resources properly. They further argued that offshoring will also increase in the near future and the arrival of new competitors would bring more challenges on the position of Indian in IT services and corporations will take advantage of new destinations where costs are low. Outsourcing could help companies by giving them a competitive advantage in a sustainable way. Moreover, outsourcing also enables the top level management to get resources instantly which could be utilized in value chain procedures where companies have efficient skills and proficiency. Furthermore, outsourcing is also one of the corporate tactics which are based on achieving organization growth and not just a means for reducing costs, as argued by most of the recognized pieces of literature (Khan, 2014).

PROBLEMS ASSOCIATED WITH OUTSOURCING

Christ, Mintchik, Chen and Bierstaker (2014) argued that even though outsourcing firms help companies to save their time and help them to focus their attention on their core functions, but when these companies completely rely on outsourcing from other firms, their competitive advantage gradually decreases in value. The firm who is using outsourcing services of the third party company must check its credibility and only use the service of highly recommended BPOs to protect their confidential information from getting leaked. Before outsourcing its functions, a firm should carry out a careful examination internally to decide whether outsourcing services are needed or not. Outsourcing might not always be the answer for every problem,

and it is recommended by Christ et al. (2015) that if the firm is well prepared to carry out its functions itself, then it should not always outsource every activity. However, if the firm is opting to outsource some of its functions, then it should always make a backup of its essential data that it gives to an outsourcing firm so that the chances to lose valuable information about the customers or operations of the business can be minimized.

IMPORTANCE OF OUTSOURCING

According to Parmer (2016), nowadays outsourcing is becoming a very ordinary practice by many firms as they opt to outsource their functions to enhance the company's overall productivity. It is the practice of acquiring the services of an outside firm to get certain job functions completed instead of doing those jobs internally. This allows a firm to avail the benefits of the services provided by the third party firm who is an expert in carrying out those functions that the company outsource, without having the need to appoint professionals or train the ones who are inexperienced which increased the firm's cost. Different companies use outsourcing for their different functions, depending on their fortes and weaknesses, but mainly non-core functions of the company are the ones that are outsourced. The output of the firm is directly influenced by the nature of relationships between the firm that use outsourcing services and the providers of those services. Moreover, for many firms outsourcing is one of the best options to expand their size and capacity without having to meet significant overhead costs (Khan, 2014).

Parmer (2016) also reported that one of the most prevalent trends, which has been observed within the advancements of marketing operations are related to the outsourcing of marketing functions, and there are many firms who are outsourcing their marketing departments. However, before availing the outsourcing services, the firm should first analyse its current standing in the market by assessing its internal strengths and weaknesses, and external opportunities and threats. They further stated that by having a clear knowledge of its strengths or idea about those core competencies that are a source of revenue, a firm could outsource its non-core functions tactically. This will allow the management to have a peace of mind that they need in focusing their time and efforts on improving the areas of core competencies that help the business to add value to the corporation, clients and stockholders (Dinu, 2015).

Findings of Bharadwaj and Saxena (2010) showed that there are four basic outsourcing approaches that small manufacturing businesses utilize; activities related to back office, principal activities, bookkeeping activities, as well as activities related to providing support. However, as highlighted in earlier related studies, no noteworthy association between the strength of outsourcing and financial performance was observed. This suggests that there might be other factors behind strategic outsourcing decisions than improved financial performance, particularly for small firms. Therefore, Bharadwaj and Saxena (2010) suggested that future studies should help to find the connections between outsourcing strength and "soft" values, such as work anxiety or contentment related to work. Cross-country assessments could be another area for future research which would help to comprehend how organizational culture in diverse countries affects outsourcing conducts.

OUTSOURCING WITHIN INFORMATION TECHNOLOGY

In another study by De Luzuriaga (2009) outsourcing agreements related to IT were described as specific and multifaceted that necessitates BPOs to provide a special focus on handling an extended relationship on the ideal cost. Moreover, they are also required to find out the optimum arrangements of cost, costing procedures and variations within IT services, to manage the service that offers the maximum level of standardization. Research of De Luzuriaga (2009) highlighted that the provider of IT outsourcing gets negatively affected by different variance sources within their services and increasing contract costs. However, because of decline in economic activity and increase in competition, businesses are focusing on reducing their costs, and providers should take advantage of this chance to trade-off customization, which is an essential element of agreements related to IT outsourcing for standardization to attain high-quality cloud offering. Findings of De Luzuriaga (2009) indicated that providers should have a well-established cost handling structure and effective system to manage services variance so that they are able to attain valuable information about how their business performance within an agreement might influence a different one, since some agreements are considered to be silos, but others can utilize shared arrangements.

It was also stated by Nagpal, Nicolaou, and Lyytinen, K. (2014) that the market of IT outsourcing facilities in Poland is advanced and has been developed well, as demonstrated by researchers that people faced no issues when searching out for an appropriate service provider for the chores being handled instantly, along with that it was also proclaimed that sourcing collaboration yield a positive outlook in providing better services.

Issues were chiefly derived with regard to outsourcing relationship management. It appears that the outsourcing method gained popularity (numerous companies outsource their operations to multiple service providers), because of which the knowledge and experiences are aggregated – yet many firms still face a hindrance in optimally managing their sourcing relationships. This can be inferred to the insufficient utilization (or non-presence) of significant factors that permit coordination in sourcing operations. Due to the reason, the main goal of the study should be targeted on searching proficient and cost-reduction procedures to enhance service-provider relationship (Lacity & Willcocks, 2014).

IMPACT OF OUTSOURCING ON WORKERS AND LABOUR MARKET

According to the study of Vora (2010), currently the outsourcing option is one of the greatest management approaches used by the many businesses around the globe. When jobs are outsourced by client businesses locally, this may end in job losses as core employees may be reduced and concurrently may end up in creating more jobs as outsourcing employees are hired resulting in “losing one job and creating a new” situation. Moreover, when developed nations outsource the jobs globally (also known as offshoring) to emerging and transitional economies, jobs are shifted, not lost, but it is essential to consider that jobs are lost in developed economies. Offshoring also assists in the opening of markets internationally, and it nurtures the development of emerging/developing countries as well because it enables these countries to gain tax revenues from foreign businesses. However, employees’ morale during outsourcing activities is undesirably affected when jobs are lost.

Providers of outsourcing services need to constantly enhance their services and justify their worth, just as any other business would. But the assessment of outsourcing employees by client business staff is very vital (Devi & Punitha, 2014).

Presbitero, Roxas and Chadee (2016) stated in their study that it is seen in the outsourcing industry that there are very limited factors of motivation such as financial and non-financial benefits. Motivation is a significant factor in the efficient delivery of organization performance. The staffs should be given different financial and non-financial benefits so that they are highly motivated to do their jobs well. If their motivation levels are high, then they will prefer to stay in the business for a longer period of time. It is crucial for the staff to have high motivational levels. If the staff is able to get motivated by their own selves, then their work performance would be greater. Staff performance also depends on the environment of the job.

The environment of the job for the staff should be pleasant and transparent. It should also be free from any kind of biases. The staff should also be given the amenities and facilities which provide them with comfort. Women who are also employed in this industry should also be treated equally and without any kind of discrimination. They should be provided with free pick and drop services so that they are able to reach the workplace on time without any kind of difficulty (Whitaker, Mithas, & Krishnan, 2010).

Workload and pressure on workers in outsourcing businesses are also increasing significantly. No job flexibility is found in this industry. Staff should be given the option to work in either morning or night shifts depending on their feasibility.

Women in these businesses are usually more comfortable to work in the morning shift because they need to take care of their family and children and also because of safety issues. If the pressure of work is minimized, then workers' performance would increase because every employee can only handle a certain acceptable amount of pressure in order to get motivated and to execute their work effectively (Machado, Sathyanarayanan, Bhola, & Kamath, 2013). However, pressure must not exceed too much as it has the tendency to convert itself into stress. The stress of the job will impede the employee to work effectively. Due to stress in the job employee performance at work gets negatively affected which leads to a decrease in their productivity levels, causing problems for the businesses to grow profitably (Presbitero et al., 2016).

CONCLUSION

It is clearly evident from analysing the literature above that business process outsourcing firms can provide numerous benefits to different companies, especially SMEs that are operating in Australia. Moreover, by hiring the services of these BPO firms, not only the companies would be able to reduce their costs dramatically, but they would also be able to enhance the work performance of their different areas. This is because, these outsourcing companies are specialized in providing high-quality services because of their professionally qualified staff, that these small organizations lack. This enables them to increase the productivity of their clients significantly. However, it is recommended that the credibility of the BPO firms should be checked properly before hiring their services and giving them the confidential data of the business (Parmer, 2016).

Moreover, organizations who are utilizing the services of outsourced employees should treat them appropriately by enhancing their motivation levels. This is because if the management does not appropriately treat these employees, then they will not be encouraged to increase their productivity and will eventually undermine the performance of the firm (Caruth, Haden, & Caruth, 2013). So it is necessary for the organizations to treat these BPO firms in the right way, by establishing healthy relationships with them based on mutual trust. This is because, if organizations who outsource their services provide necessary support to these BPO firms, then it will going to motivate them to enhance their quality of services, and work performance of the organizations, which in turn will result in greater sales revenues, lower costs and higher profit margins for them profitably (Presbitero et al., 2016).

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