EFFECTS OF OFFSHORE IT OUTSOURING WITH REFERENCE TO TAMILNADU COMPANIES

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ABSTRACT

India has become a popular destination for outsourcing IT services. Indian companies have been at the forefront of outsourcing. The outsourcing industry has helped the Indian economy. 'Outsourcing is contracting an outsider supplier for the management and completion of a certain amount of work to a particular span of time, price and level of service'. Offshore outsourcing as the distribution of management, designation, research, development, or technological support work to a third-party provider located in a cheaper cost region. Therefore, the present study enables to access the factors associated to Domain expertise and its relationship with the Experience in the IT companies. In this study a sample (N=58) of IT employees scattered all over India filled out a Survey containing Questionnaire on the Outsourcing traits. The study adapts the research methodologies comprising of Percentage analysis, Descriptive statistics, Chi-Square test, Factor analysis and Multiple linear regression. The results indicate that the Domain Expertise, Communication, Security, Employee Training have major influence on Domain Expertise in groups in IT companies.

Keywords:
IT Outsourcing, Domain Expertise, Communication, Security, Employee Training.

1 INTRODUCTION

Globalization is one of the most important phenomena of the 21st century. The gathering of nations, ideas and cultures beyond boundaries might be considered the main aspects of globalization. If we consider globalization as a process, the enhancement of this process took a particularly faster route after the change of the millennium. One of the reasons behind this enhancement was internet, and technology innovation. Information is a resource which has no value until it is extracted, processed and used. Information technology is linked with information system that helps in the formation, selection, storage, transformation, dissemination of information of different kinds and also the operations and devices that facilitate all this to be done. Outsourcing is related to the contracting out of a business work, generally one beforehand performed in-house to an outside supplier. Outsourcing will enable an organization to all the more viably use its assets, by allowing its labour force to spotlight on their core competencies regardless of whether they be manufacturing, design or consulting and outsource those functions which are not core to another organization that has effectively turned out to be an industry pioneer such as information technology, end-client support, accounting or data management. Offshore outsourcing states offshore outsourcing as 'the distribution of management, designing, research, development, or technological support work to a third-party provider located in a cheaper cost region'.

2 LITERATURE REVIEW

1. Almalki (2012) reported on impact of IT outsourcing in detail by reviewing the findings of six research paper and provided suggestion for ICT and grab between IT outsourcing.

2. Agrawal, Goswami, & Chatterjee, (2011) The study has analysed client's perspective literatures on benefits and risks of IT outsourcing. The findings have provided viewpoints on different variables

such as motives behind offshore outsourcing, potential expectations from the IT service provider firms. It suggested that there is a need for empirical studies based on the issues associated to IT outsourcing.

3. Carmel & Agarwal, (2002) interviewed 13 global IT sourcing decision makers of the giant and most prominent U.S. client firms and examined each firm's outsourcing IT and reported four different stages of development that ranged the firms that did not outsource at all to the IT offshore users and cost intense firms to strategic IT outsourcing focused firms.

4. Chadee & Raman, (2009) in the study, identified four major research areas like outsourcing decision, offshoring management, offshoring outcomes and the role of offshore service providers from sampled past 78 empirical researches. The study suggested that research till date has been more focused on IT offshoring decision and IT offshoring management from client perspective; there is scope of future research in the areas of IT offshoring strategy and its performance measurement.
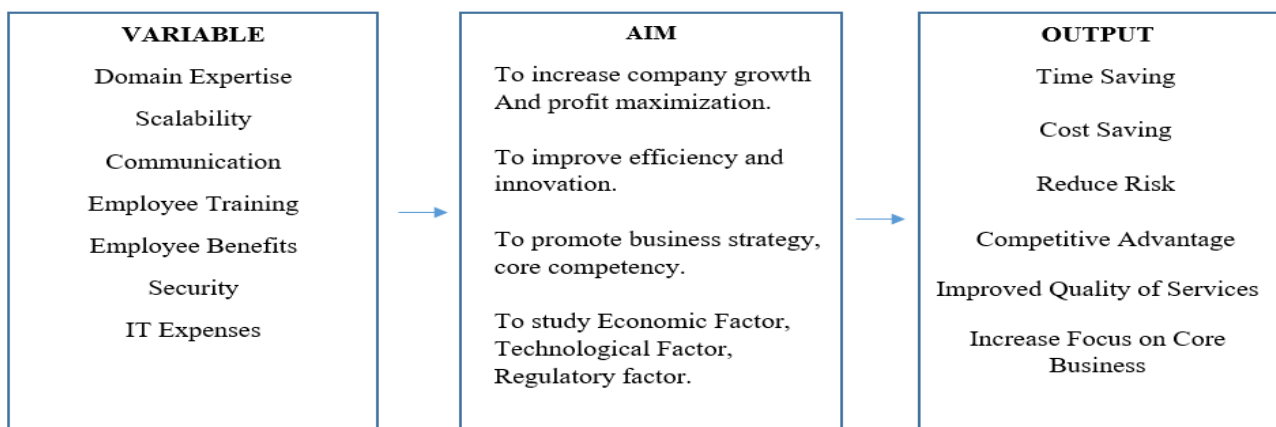
5. Duhamel, Isis, Sergio, & Luis, (2018) the study examined and compared two successful and less successful cases of application development from public-private IT outsourcing relationships in Mexico by interviewing the collaborating members. Trust commitment and knowledge sharing interacted to improve collaborative interface characteristics that have an impact on public and political values.

6. Edmir Parada Vasquez Prado, (2011) Reported in his research the risk analysis process in ICT services outsourcing and identify statistically relationship between risk analysis the goal was achieved through a survey that analysed 54 private sectors.

7. A study by **(Embleton & Wright 1998)** study on the benefits of IT outsourcing, time saving, allowing the firms focus on their core business activities benefits of high skilled workforce flexibility working and responsibility of commercial IT providers among others.

8. Jones, (2009) The study identified the opportunities, issues and trends in IT offshoring in China through interviews of 34 IT executives of Chinese vendors firms. The lesson of the study Chinese vendor different from other western countries, Chinese vendor firms have limited capabilities, the dimension of national cultures they different from U.S. the cultural difference in China with other western countries make difficult in communication and also described how to evaluated, select the manage IT offshoring vendors in China.

3 RESEARCH MODEL

VARIABLE	AIM	OUTPUT
Domain Expertise	To increase company growth And profit maximization.	Time Saving
Scalability		Cost Saving
Communication	To improve efficiency and innovation.	Reduce Risk
Employee Training		Competitive Advantage
Employee Benefits	To promote business strategy, core competency.	Improved Quality of Services
Security		Increase Focus on Core Business
IT Expenses	To study Economic Factor, Technological Factor, Regulatory factor.	

4 METHODOLOGY

4.1 Instrument measures

All of the elements were assessed using a 5-point Likert scale ranging from 1-strongly agree to 5-strongly disagree, as well as dichotomous scales. The questionnaire is simple to create.

4.2 Reliability analysis

Reliability testing were conducted among 26 respondents from Tamil Nadu. There are 31 number of questions prepared for customers to check the reliability of questionnaire. Using IBM - SPSS AMOS graphics 26.0 reliability test done and Cronbach's alpha is 0.794.

4.3 Data Analysis

Empirical analyses of the respondents

The population for this study is infinite. Due to time constraint, data collected from 58 samples. Data have been collected from employees of various IT companies all over Tamil Nādu.

Demographic analysis: With the experience of the respondents Above 5years.

5 RESULTS AND DISCUSSION

5.1 Factor analysis

Factor analysis of all the variables from the questionnaire.

Table No: 5.1.1 **Table Name:** KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.423
Bartlett's Test of Sphericity	Approx. Chi-Square	1124.496
	Df	465
	Sig.	<.001

Table No: 5. 1.2 **Table Name:** Factor loading

	1	2	3	4	5	6	7	8	9	10	11
Communication outsourcing relationships	.789										
Employee Training program can be customized according to my needs.	.779										
Security data transfers and backups.]	.735										
Domain Expertise pay premium on vendors who have proven expertise in similar projects	.644										
Communication can create confusion and hinder progress on project	.641										
Employee Training provide guidance throughout the training program	.618			-.439							
Communication Time zone differences	.593					-.549					

	1	2	3	4	5
Employee Training company provided post-training support.	.548				
Communication channels and protocols can lead to miscommunication	.535			.452	
Security policies and procedures are strictly followed by employees.	.528				.401
Fair and transparent performance evaluation process that determines employee benefits.	.526				
Security strong access control measures in place sensitive data and system	.463				
Scalability companies to quickly respond to change in demand.					
Employee Benefits provided adequate health insurance benefits to its employees.		.649			
Employee Benefits offers bonuses and incentives to employees.		.625		.419	
Security assessment and audits to identify and mitigate potential security risks.]		.562			.523
Domain expertise house - domain expertise is sufficient to manage outsourced IT projects.	.513	.555			
Security robust system for managing and monitoring third - party vendors			-.623	.453	
Communication Lack of face-to-face communication		.408	.449		
Domain expertise latest technologies and industry	-.421		-.439		
Scalability can help companies achieve greater scalability in their IT		.572		-.584	
IT Expenses Outsourcing IT services will reduce our overall IT expenses.		.478	-.432	.478	

Employee Benefits offers a competitive retirement benefits package.				-.602						
Domain expertise vendor's lack of domain expertise			.423	.570						
Scalability important factor to consider when outsourcing IT services.	.412				.489					.405
Employee Benefits provides opportunities for career development	.561					.625				
IT Expenses Outsourcing IT services will lead to unpredictable expenses						-.514				
Scalability can limit the benefits of outsourcing IT services.	.406							.526		
Security control measures in place to limit access to sensitive data and system.		-.496							.509	
IT Expenses will provide cost savings.		.445							.455	
Employee training program helped me to improve my technical skills.							.536			.600

Interpretation

From the table 5. 1.1 it is inferred that Kaiser-Meyer-Olkin test value is 0.781 which is more than 0.5, can be considered acceptable and valid to conduct data reduction technique. Bartlett's test of Sphericity significant to a level of significance is <0.001 which shows that there is high level of correlation between variables, which make it adequate to apply factor analysis. From the table 5. 1.2 the average loading for the Factor communication – outsourcing relationship (.789) followed by employee training – program can be customized according to my needs (.779) followed by security – data transfers and backups (.735) followed by Domain expertise – place a premium on vendors who is expertise (.644) and then by communication – style and expectations can create confusion on project (.641)

6 MAJOR FINDINGS

6.1 Factor Analysis

We thoroughly analysed the result this section that were collected from 58 respondents. Application of principal component analysis using SPSS was employed to investigate the latent factor linked to these 31 items.

1. Factor 1(Communication) has a very high significant loading on the variable outsourcing relationship (.789). Factor 2 (Employee training) has a very high significant loading on the variable program can be customized according to my needs (.779). Factor 3 (Security) has a very high significant loading on the variable data transfers and backups (.735). Factor 4 (Domain expertise) has a very high significant loading on the variable place a premium on vendors who is expertise (.644). Factor 5 (Communication) has a very high significant loading on the variable style and expectations can create confusion on project (.641).

7 IMPLICATIONS AND RECOMMENDATIONS

1.According to the study, domain expertise plays a significant role in offshore IT outsourcing companies. So, it is suggested that employers should prioritize selecting experienced candidates and provide training to improve their skills and knowledge.

2.Language is identified as significant obstacle to communication, which is essential for successful outsourcing. By enhancing language and communication training, particularly in English, employees can improve their language abilities and interact with foreign co-workers more successfully.

3.Security should remain as a top priority. When outsourcing IT services, security and privacy are top priorities. Training on data privacy and security may ensure that staff members adhere to best practices while managing confidential data and help them appreciate the value of protecting sensitive information.

4.Employers should care about employee training, and it's critical for staff to stay current on new tools and technology. Technical training on pertinent frameworks, technologies, and programming languages can help staff members develop their abilities and maintain a competitive edge in the marketplace.

8 CONCLUSIONS

The main finding of the research is that there is a relationship in domain expertise and expertise the company must focus on will must find experience outsourcing employees, communication, security, employee training must focus in outsourcing companies. This study was actuated by the need for investigation which can result in a better understanding risk sharing, access to specialized skills, ensure successful outsourcing. On the positive side, outsourcing allows companies to access specialized expertise and technology, reduce cost, and improve efficiency. It also enables companies to focus on their core competencies and gain a competitive advantage. However, outsourcing also has some negative effects such as the loss of control over business operations, the risk of data breaches and security concerns, and the potential for communication and cultural differences with outsourcing vendors.

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