The Disadvantages Of Using Outsourcing In A Business

The main purpose of this research paper is to explain the key reasons why outsourcing isn't good for a business and how it takes jobs away from workers in the United States. The biggest problem with outsourcing is that it increases unemployment rates. The disadvantages outweigh the advantages of outsourcing. Many people might say that outsourcing is a huge advantage in a business but here I'm going to explain to you all the key reasons why outsourcing might not be the best way to run a business. Outsourcing could be a huge threat when it comes to the security and confidentiality of your business. All of your confidential data needs to be secured when you bring in outside help. You need to have safeguards in place to protect some information like drawings, formulas, payroll, medical records, and many more things. In a hotel onshore outsourcing can really hurt morale with the employees and guests. It can hurt the reputation of your hotel and can cause liability's. If you cater your food and someone gets sick from eating that food, the blame is now on you. Offshore outsourcing isn't good for people in the United States right now. No one that lives here wants people living outside of the country getting paid for something they can do. There have been a lot of negative public reactions to offshore outsourcing. In the end a lot of companies might start to shy away from it because of this.

Outsourcing has become increasingly popular to the public since the mid-20th century and has become very controversial in the last decade. Outsourcing has been a subject of interest that has been brought up numerous times by economists. Offshore outsourcing is the main type of outsourcing in the United States economy. This topic is highly debated because of the unemployment rate in America. The subject of outsourcing is under the microscope because many hospitality representatives believe it can hurt their industry rather than help it due to impacts on customer service. Many professionals share different opinions on this topic. Some of the issues and points from the campaigns will be used in my research when discussing the disadvantages of outsourcing overseas.

Why Companies Don't Outsource

The main reason companies don't outsource is because there's a huge risk of losing sensitive data and the loss of confidentiality. "For those that outsourced to an offshore provider to realize even further cost reductions, they have in many cases found that the degradation in quality of service—language, accent, cultural, etc.—has been a proven cause of loss of business, and therefore the original outsourcing return on investment has been completely overturned" (Simon, 2010). The hospitality industry thrives from their quality of service. A hotels reputation could be severely hurt with the loss in the quality of their service. "When should hotels not outsource? When a function involves direct guest contact at the property, such as bell staff, housekeeping and front desk employees, according to Morone" (Simon, 2010). Some companies don't outsource because they need to have total control over their company. Having limited control can cause many problems for a company and result in court proceedings. Many companies do not want issues with another company and having possible issues with customer service scores.

Onshore Outsourcing

Onshore outsourcing can severely hurt the reputation of a hotel. It can cause a huge customer service liability. If a hotel outsources their catered food, they will most likely get the blame if an illness breaks out and people get really sick. Hotels need to be careful with who they trust their reputation with. It can be very costly to the company if anything were to go wrong. Many guests and customers want to feel like they are working with an employee that the company that is servicing them actually hired. It can be very frustrating for a customer to have to wait to be assisted because the outsourced company cannot handle the issue themselves. Sometimes the outsourced company and the main company do not use the same computer systems or have access to each other's. This will most likely create delays and unnecessary wait times for guests, which can lead to bad reviews and bad business. Efficiency is key in the U.S. and even small delays can cause major problems. The biggest disadvantage has to be communication issues. Having to contact others company's as part of your weekly or monthly process can be annoying. When you're on the phone with other companies discussing operations it'll take valuable time.

Offshore Outsourcing

The people of America don't agree with offshore outsourcing. People want companies hiring American citizens. They don't want someone living in another country receiving paychecks that should be distributed to an American citizen that is willing and able to work. Why would you hire someone outside of the country to do a job that someone here can do? Companies may eventually back out of offshore outsourcing just due to the bad public relations it will continue to cause. The offshoring reversal also can be seen in U.S. companies such as GM and GE, which were early adopters of outsourcing and now are repatriating jobs.

Innovation Centers

A couple years back GM said it planned to bring 90 percent of its IT work in- house and, in many cases, onshore, hiring 10,000 workers over the next three to five years. The automaker said it would open four U.S. technology 'innovation centers,' one in Austin, Texas, with 500 employees, another in Warren, Michigan, with 1,500 jobs and two others in cities yet to be determined. GE also is building a technology center outside Detroit, where it plans to employ 1,100 people, as part of a broader initiative to reseed the company's IT capabilities in the U.S. Mike De Boer, who led the recent development of a technology center in New Orleans for the company's GE Capital unit, said the business needs a rapid-response approach to technology changes, such as mobile-phone applications, which requires proximity. According to the article, GM and GE are making huge steps to create jobs and to bring outsourced jobs back to the U.S. They are trying to build their public image. They even used the word "repatriating" to show the Americans that they are being patriotic and bringing the jobs home. It almost has a military ring to it. It feels like they are going to bring our soldiers home and help out the country so that things are where they belong. This was very smart public relations.

Why Outsourced Employees Should Not be Part of the Team

When outsourced employees are treated as internal employees the line becomes very gray. Who do they answer to? What boss do they listen to? The hotel should have the final say, but other managers should not be carrying out the functions of the outsourced managers unless

asked. This can confuse your employees. The employees may feel they have a right to get some of the benefits of the company that outsourced their company. Many outsourced employees have to pay employee cafeterias a fee when dining but they may try to get around that since the internal employees do not have to pay. They may feel they should be able to use the workout facility or parking structure if the other employees get to. It is a fine line and the outsourced employees need to understand their place in all the chaos. They need to realize that the internal employees are paying for these benefits in some way or another and that these services are not for them. If they want to ask permission that is ok but if they expect it then there can be problems. Legal. When employees are acting like the internal employees, the whole legal realm becomes gray. If the outsourced employees are wearing the same uniforms, their votes may be considered in a union vote. This can cause serious issues for a company. It would be nice to have everyone wearing the same uniforms and acting the same, but it can make things confusing and cause a company more money than it is worth.

Negative Survey Data Regarding Customer Service

Survey data often shows that outsourced areas can fall behind the desired numbers for customer service scores. Many surveys will acknowledge complaints in areas that are not operated by the hotel in question. Many guests do not know when areas are outsourced and probably do not care to know. Many people feel that if you are going to utilize a service then you are responsible. Guests do not like it when hotels “pass the buck” or give excuses for a problem. They have paid money for a service they expect and have probably traveled far and used vacation days just to make the trip. At the end of the day they probably are not going to care who owns the valet, gift shop, or coffee shop. They just want a smooth vacation. Although outsourcing saved Web.com 3:1 in payroll, they still lost money due to customer service issues. They brought teams in and trained them at their headquarters. These teams went back to India and trained others. The training got lost in translation. It became a copied version of what was actually taught. The company soon realized they were having a large increase in cancellations and lost business. The savings in payroll was not reflecting the loss of money due to customer

Legalities Involved in Outsourcing

Although outsourcing is supposed to take off the financial and legal burn for a company, it can still backfire. Lawsuits are still very possible. Anyone can sue you. Just because an outsourced company claims to take on responsibility doesn’t mean that no lawsuits can arise. Law firms go for companies with deep pockets and they will make a way to find loopholes to make it the parent company’s fault. Nothing is fool proof in this business practice. It is important for hotels to have the best contracts possible and laws abided. This will help alleviate possible fines and help the hotel’s case when in court. 3 US workers filed a lawsuit against one of the biggest IT outsourcing companies, the 3 workers said they were being discriminated against because of their race and national origin. They are claiming that TCS prefers to bring in employees on visas even when there are trained US citizens and further discriminates when it hires locally by preferring Indians and South Asians. “This is the latest of a number of lawsuits to be filed against India’s largest IT outsourcing company and its peers including Infosys and HCL technologies in the US, and comes at a sensitive time.” (Mendonca, J 2018)

Unemployment Rates

When you outsource from other countries it takes jobs away from people that live here in the US. “The 14 million outsourced jobs are almost double the 7.5 million unemployed Americans. If all those jobs returned, it would be enough to also hire the 5.7 million who are working part-time but would prefer full-time positions (Amadeo, K. 2018).” This is a big reason on why we should stop outsourcing jobs and start giving these jobs to people here. “Outsourcing has always been controversial, whether its purpose was to get around unions, take advantage of low-cost labor in other regions, or simply tap the greater expertise and efficiencies of large contractors. Whatever the reason, somebody invariably loses a job as somebody else gains one, sometimes overseas, and sometimes at far lower wages. The resentment seems to grow exponentially with geographic distance and the gap between the original wages and the new ones (Pearlstein, 2012).” Outsourcing is like a loophole in business. They use it, so they don’t have to pay the wages that people deserve here, so they outsource people from other countries to pay them less. Since they aren’t from here they don’t have to pay them what they normally would if you were from the US. When you give someone from another country a job someone that lives in the US loses a potential job, which doesn’t seem right to me at all.