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ORGANIZATIONAL IMPLICATIONS ON THE USE OF OUTSOURCING FOR MARKETING FOCUS



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Abstract

Outsourcing is addressed in this document, as a strategy to increase productive and competitive efficiency in organizations. So, through this strategy companies may focus also on their marketing strategies to increase their market participation.

Though, initially it was established as a way on which organizations had the chance to focus on their core activities and outsource those non-core ones with the intention of facing changing economic scenarios more effectively. But in the practice, this strategy involves organizational challenges, which has generated discussion about its implementation. The objective of this document is to present the challenges and organizational implications that the use of outsourcing represents in companies that have implemented this kind of strategy.

It is concluded that the implementation of outsourcing reveals the need to accompany this strategy with organizational measures that help to: (1) materialize the advantages of its use, and (2) reduce the disadvantages of its use, especially those that refers to the precariousness of employment.

Keywords:

Outsourcing, strategies, Organizational implications.

Paper body

It is known that the globalized effect has generated more dynamic scenarios on which companies have to operate. It means that the economic stability and even the predictability of the market are more often unknown. Therefore, these situations represent a variety of challenges for companies, because they need to seek for better ways to improve their management. From the human capital approach, it is possible to set strategies to keep and develop competitive advantages (Bilan et al., 2017).

The outsourcing, also known as the outside resource using (Bilan et al., 2017) is an increasing tendency within the last years (Estrada et al., 2015). And one of the reasons for its implementation is the possibility to use more efficiently the available human resources in order to focus them into the core activities, which allows the company to bring better attention and solution to changing scenarios with the intention to generate competitive advantages. However, from the point of view of the workers, the misuse of the outsourcing strategy in companies, represents the deterioration of the employment quality.

For this reason, the objective of the present document aims to show the organizational implications within the challenges needed in companies that had implemented outsourcing. A documentary method was used for this purpose by the review of the literature associated to the use of the strategy in companies. Key words for

the selection of accurate literature were those related to human capital management, outsourcing and organizational challenges published within scientific data bases.

Antecedents

Nowadays, markets grow and mature faster than they did before and technology move forward in ways that it is not possible or harder to keep track for organizations. Within this context, economic entities must find ways to respond to constantly changing customer needs. For which, it is required to plan better strategies to manage organizations, something that can be done from the human capital approach (Vazquez & Orozco, 2019).

Currently at the international level, formal education in individuals is the most common indicator for human capital (Ávila et al., 2011). From this formal education, workers face the globalized environment that demands every time more qualified, innovative and creative capabilities from them (Hidalgo et al., 2018). As a matter of fact, education is so important that both International Organizations like the Organization for Economic Co-operation and Development (OECD) and the World Bank refer that the emphasis on education politics are a way for countries to improve economic and social development (Lauwerier, 2018).

Thus, education has an active role within today's society, by demanding constant improvement of learning processes (Mata et al., 2016). Consequently, it is suggested that organizations take a more active role into the design of educational learning strategies for the development of human talent (Gómez-Romo et al., 2017). The greater learning capacity, the greater probability of achieving desirable objectives

in a sustained way (Garbanzo-Vargas, 2016). Due to the importance of the development mentioned above, it becomes more important the need to better understand the relationship between the individual and the organization (Alfonso, 2019).

In this way, the concept of human capital takes part in organizations dealing with challenging scenarios by the generation of advantages from the capacities and abilities of the work force and the process to transform it into the benefit of the economic entity (Martínez et al., 2019). Even Jiménez-Rodríguez and Gamboa-Suárez (2017), recognize human capital as the most precious asset that the organization possesses. But the constant innovations and the fact of not being able to predict their nature, represents a threat for human capital in the form of depreciation caused for job instability, outsourcing and even the elimination of positions by the increasing automation in industries (Choi & Calero, 2018).

For instance, the nature of the outsourcing is to maintain a high level of competitiveness by reducing costs of certain activities (Escobar Ramírez & Londoño Borda, 2017). It is also known as an external process management with an increasing implementation trend in recent years, that, has negatively affected human capital (Alfonso, 2019). Nevertheless, some of the reasons for the use of this strategy is the more efficient use of available resources in companies, so they keep focus on the core activities and provide better solutions to the changing market scenarios (Iranzo & Jacqueline, 2012). However, the negative aspects on

which outsourcing affects human capital leads to the loss in the quality of employment offered by economic entities, and organizational challenges are generated as a result of it (Werther & Davis, 2008). Therefore, the question is what implications are needed when outsourcing is implemented in organizations?

Outsourcing

Outsourcing, described by Hidalgo et al. (2018), is the result of the constant trend towards specialization demanded by the globalizing effect in modern society. These authors mentioned that Electronic Data Systems was the first company to implement the strategy in the 20th century by the use of a third party to manage their data processing contracts in order to satisfy the need to increase the return on investments. Later, the Eastman Kodak alliance with IBM, contributed to formally consider outsourcing as a business strategy that would generate competitive advantages (Corbett, 2004).

In the regulatory framework of Mexico, outsourcing is understood as a strategy to hire human resources based on the North American model, which means flexible work relationships without too many legal obligations and with the vision to achieve better productive performance. This strategy contemplates three subjects: (1) Beneficiary company, service receiver; (2) Subcontractor company, service provider, and (3) Worker, employee supplied to the Beneficiary company (Fuentes, 2015).

Despite this, the empirical evidence available is limited to understand if companies improve with the use of outsourcing (Lahiri, 2016). And also, there is uncertainty about the results in terms of profitability, as well as the loss of process control in the organization (Escobar & Londoño, 2017). As a result of it, opinions on this matter vary between those in favor that support the implementation, and those who are against it, because it represents an abuse and repercussions to workers (Valle et al., 2018).

What indeed can be established on this subject, is that the need to provide a quick response to the market changes has led the way for companies to focus on their competences and capabilities for their core business activity, therefore, outsourcing had been a way to satisfy customer's needs (Vazquez & Orozco, 2019). It is also needed that nowadays, companies get the chance to focus their attention on ways to grow their market participation and it can be done through the use of marketing strategies. Definitions and objectives can be found in Table 1.

Table 1. Outsourcing. Definitions and objectives

Notes: Based on Diaz & Gandoy (2008), Arce et al. (2017) and Hidalgo (2019).

Author	Definition	Objective
Díaz & Gandoy (2008)	Feasible way to promote productive efficiency and improve competitive position in traditional industries.	Savings in labor costs.
Arce et al., (2017)	Strategy that allows the company to focus on its growth and continuous improvement.	Meet the demands required for its effective operation at a lower cost.
Hidalgo (2019)	Opportunity for the company to incorporate a set of external capabilities that it does not have.	Focus resources and efforts on essential activities to reduce costs and tangible short-term results.

In addition, Hidalgo et al. (2018) recommends that before the implementation of the outsourcing strategy in the company's process, a breakdown of the value chain of its business should be done, in order to identify those activities of key competencies that belong to their core business and for which the company is able to keep a better position within the market. This identification will allow the economic entity to recognize secondary activities. Therefore, the possibility of outsourcing arises with these secondary activities on which the company can reach highly trained and experienced personnel to deliver quality products or services (León et al., 2018).

In that way, it is possible to understand outsourcing, as a strategy that allows companies to help companies to focus on their core business. The advantages of its implementation are shown in Table 2.

Table 2. Outsourcing. Advantages of its implementation

Notes: Based on Esponda & Strada (2019).

Advantages

Simplificación y reducción en la estructura de costos.

Acceso a habilidades de clase mundial.

Mayor control de gestión.

Reasignación de recursos humanos, mayor flexibilidad en los costos.

Mejora el enfoque estratégico de la organización, permite a la organización dedicar todo su potencial a actividad principal.

But, in spite of the advantages that the strategy may bring to the company, the misuse of this strategy has led to the generation of disadvantages or challenges involved in the work force, which affects their performance in the organization (Vazquez & Orozco, 2019).

Organizational challenges for the use of outsourcing

When hiring outsourcing services, it is necessary to consider that these workers do not actually belong to the company and it causes a lack of link in between the company and these employees which leads to a loss on the sense of loyalty (Bedoya-Gomez, 2018). The sense of loyalty is the main element in the cohesion in work groups (Espino-Rodríguez & Ramírez-Fierro, 2019). That way, the company must restructure their organizational culture, which cannot remain static, in order to improve this sense of loyalty link from outsourced workers (Estrada & Trejo, 2015).

Another challenge derived from the use of the outsourcing is the unequal work scenarios that arises between employees hired directly by the company and those hired by an external (Oka et al., 2019). The gap generated by the discontent in external employees generates a feeling of short term jobs, which leads them to a constantly search for better working opportunities (Mejía et al., 2016). This situation, had represented another challenge for some companies for which they needed to compensate workers by designing financial measures to motivate and develop them, with the intention to make more equal scenarios (Estrada et al., 2015).

Despite this, outsourcing has shown positive aspects in terms of financial performance in companies, however, in terms of client service the strategy had been inefficient due to the lack of commitment from the outsider workers, because they do not intend to meet client expectations (León et al., 2018). According to Peña and Villón (2018), this challenge can be managing with a high motivation plan for employees that includes an immediate compensation to their basic needs so they get to feel value and an important part of the company.

Additionally, besides that the nature of the strategy was originally to outsource non-core activities, it had been used on strategic activities, which means an inadequate implementation or not recommendable from the human capital point of view, because it has caused job precariousness, because of the long working hours, low wage rates, work benefits reduction, among

others measures, which generates psychological and physical deterioration within the work force and it eventually becomes one of its main drawbacks (Mejía et al., 2016). In fact, Robescu and Iancu (2016) point out that this psychological and physical deterioration leads to a decrease in performance, conflicts, hostile actions, absenteeism, and accidents, for that reason, the company must consider intervention strategies to reduce the effects on the worker and reduce the levels of these relationship deteriorations.

Then, because outsourcing implies the segmentation of tasks, it is possible that this represents a threat for the company in the shape of a loss of coordination between segments (Werther & Davis, 2008). In this case, it is recommended the implementation of a learning process to prevent dependency and subsequent loss of control in the company's tasks (Ruiz-Medrano, 2019).

Thus, the organizational challenges that come with the use of outsourcing must be dealt with the implementation of the above strategies to reduce the negative effects and approach the company to better situations to turns them into competitive advantages. As a result, the Table 3 summarize the implications or organizational measures needed:

Table 3. Outsourcing. Challenges and organizational implication of its implementation

Notes: : Based on Bedoya-Gómez (2018), Estrada et al. (2016), Oka et al. (2019), León et al. (2018), Peña and Villón (2018), Mejía et al. (2016), Robescu and Iancu (2016), Werther and Davis (2008) and Ruiz-Medrano (2019).

Challenge	Organizational Implication
Lack of sense of loyalty and belonging in the outsourced employee.	Constantly improve the organizational culture.
Unequal working environments among employees.	Compensate outsourced personal through financial, measures, personal development or motivational strategies.
Lack of commitment to meet consumer expectations.	Motivational programs.
Precarious employment.	Intervention strategies.
Loss of coordination between segments within the company's operation.	Application of learning processes.

Conclusion

As being said before, the outsourcing was first a response for companies to get the opportunity to focus on their main activities and face changing scenarios that the globalization effect brought with it. However, the implementation of outsourcing leads to the generation of organizational challenges, which means that the strategy must not be implemented alone, but with organizational measures that help to: (1) Materialize the advantages of its use, and (2) reduce the inconveniences of its use, especially those who represents a threat for job qualities. That being said, Outsourcing may help companies to focus their attention on marketing strategies to grow their market participation.

Finally, let's keep in mind what Ruiz-Medrano (2019, p. 17) said on the issue: "The pursuit of economic wealth is not illegal, but it is ethically incorrect to try to achieve it through the impoverishment of workers".

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