

Outsourcing of Information Technology Services in Nigeria: The Implications

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Abstract:

Background: Many organisations outsource their Information Technology (IT) functions to other establishments that has the capability to deliver the require services. There are implications of contracting out these services either locally or externally. This paper evaluated the impacts of IT outsourcing on Nigeria.

Materials and Methods: Secondary methodology was deployed in the study by reviewing related previous works on Outsourcing.

Results: The study found that many studies have elucidated the significance of IT to organisations and the capabilities for economic development. The study reviewed previous studies relating to outsourcing of IT services and found that there are challenges of service availability, legal issues, and delay in problem resolution. More so, it was revealed that outsourcing creates unemployment and poses security threats to the nation.

Conclusion: The study proffers some solutions and made recommendations including Consideration for near time zone, provision of business friendly environment, enforcement of Section 7(1) of the Labour Act.

Key Word: Information Technology, Nigeria, Offshore, Onshore, Organisation, Outsourcing

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I. Introduction

Access to resilient and robust ITs in Nigeria seems a difficult adventure. Outsourcing is a relatively evolving technology centered on remotely accessing data and resources. The widespread of outsourcing is changing the paradigm of organisations' ways of engaging resources of technology in both public and private enterprises in all nations and business ventures [1]. The prosperity of organizations, in the end, leads to expansion in their activities. As businesses expand, there is the tendency of incurring losses due to demands on resources and delivery of services. Consequently, it is important for organisations to harness technologies and solutions that will enable them deliver their services in an excellent manner without any hiccup [2]. Outsourcing is a solution that could enable organisation to manage their service delivery with guaranteed quality.

Outsourcing is relevant and widely adopted by many conglomerates and industries in proffering solutions to business dynamics in these modern times [3, 4]. It is a service that enables organisations to minimise expenses and maximise profits. In [5], outsourcing provides a wide opportunity for organisations to hire out job functions where they lack expertise and have cost comparative advantage concerning manpower competency, time and financial savings amongst others. Fundamentally, outsourcing engages the services of hiring a third party to do the job for their company, as a replacement for internal employees. Many organisations across the continents specifically savvy organisations are leveraging this technology to achieve their desired organisational goals

Many organisations now source ICT services from countries across the globe. Hiring of ICT service providers from the United States, China and India are a few examples. Data warehousing is one of the most commonly outsourced services in all industries such as banking, education, transport, judiciary, oil and gas among others as many countries still cannot warehouse their data. There is numerous advantages attached to this solution but it brings many issues concerning downtime remediation, culture, service quality and security of data among others. It is against this backdrop that this paper seeks to evaluate the implications of outsourcing data centres in organisations.

This paper is further organised as follows: Section 2 discusses the Literature reviews, and Section 3 is comprised of the related works. Section 4 will highlight the successes and failures of outsourcing while Section 5 is composed of problems of outsourcing. Section 6 highlights the solution to the identified problems with recommendations. Section 7 is the conclusion.

II. Literature Review

Nigeria is located in the western part of Africa with an estimated population of 197,375,677 in 2019 [6]. It is bordered by the Niger Republic to the North West, Benin Republic to the West, and Chad to the North East. It is surrounded by Cameroon in the East and the Atlantic Ocean to the South. It covers a 923,768km² area, which is divided into 36 states plus the Federal Capital Territory for administrative purposes [6, 7]. Figure 1 depicts the location of Nigeria with some cities.



Figure 1. Map of Nigeria showing its location (Nwaerema and Edokpa, (2019, p. 29)

Information Technology refers to the integration of a series of electronic components for data collection, storage and processing. Since the advent of IT, nations and industries have leveraged it for business prosperity and national development [8]. It is an integrated platform that enables information dissemination both online and offline. Also, individuals rely on IT particularly the internet for banking, study as well as entertainment among others. As IT advances, it gives more opportunities for better and easier ways of conducting activities. The IT integrated components consist of software and hardware.

Outsourcing is an agreement that involves an enterprise providing services to another organisation, which could be provided by the employees of the organisation that is contracting out the service. It involves the devolution of some operations to service providers outside their organisation [9, 10].

It is a function of delegated authority of service is legally bounded service level agreements that clearly define terms and conditions including time of delivery and cost among others. It is the subcontracting of operations to other firms that have the expertise to handle such services [11]. A firm can contract as many services as possible to many organisations. Outsourcing could be best utilised when companies operate the aspects of its comparative advantage and contract out those areas of comparative disadvantage. This ultimately leads to high efficiency with remarkable performance and valued-quality services.

Universally, outsourcing solution has become a matter of concern as it has affected the remunerations of employees due to the policy associated with it, while the quality of services is not compromised. Globally, the gains of outsourcing make organisations contact our services including human resources instead of internal staff or permanently engaged workers. Outsourcing refers to the procedures of replacing in-house conducted activities with contracting them out to external representatives and professionals [12]. It connotes a system that permits organisations to sublet part of their company's services to external providers to execute it on their behalf. It is a global practice that relieves organisations of the complexities of resource maintenance, especially for human beings. The implication of outsourcing to the organisation is enormous. It has the capability that progressively grants remote access to technology. It is believed that outsourcing will develop into the main strategy for more organisations in the future [13].

Currently, the speed that which global outsourcing is engaged in supporting organisational growth is increasing on daily basis. Services could be outsourced onshore or offshore as explained subsequently. Captains of organisations have embraced IT sourcing across the world [14]. Outsourcing services are relevant in different IT services and operations such as:

Data centre management

The speedy growth of technology and its corresponding rise in data usage in the current times demand adequate preservation of data. Data centres involve computing infrastructures containing different types and quantities of data storage and processing facilities. Owing to the irregular power supply from the national electricity grid. Consequently, organisations employ the service of firms in countries that has a cost advantage. According to [15], maintenance of data centre is expensive due to the following:

1. High power needed to run the equipment
2. Heat dissipation by equipments
3. Cooling requirements
4. Air circulation

Data security and backup

Data backup is a process of making multiple copies of data that is securely preserved in different locations using different storage devices, which are retrievable during event of disaster, destruction and loss [16]. For business sustainability and continuity, competent service providers must be engaged. Human error, natural disasters and file corruption are reasons why organisations must emplace backup and disaster recovery. Backup is to ensure confidentiality, integrity and availability of data.

Call centre service

Call centre outsourcing refers to engaging organisations outside their own country or organisation that specialises in managing call centre activities [17]. Organisations opt for outsourcing this type of service because it is usually well reasonably priced. There would be no need to purchase equipment, train staff and payment of monthly salaries.

Website hosting

Organisations that rely on the website for their daily function will consider hosting the website in-house or outsourcing it to a web hosting organisation. However, the choice is dependent on the holistic requirements alongside the capabilities available to host it. Some of the pertinent requirements include:

1. Security
2. Quality certifications
3. Purchasing of hardware and software
4. Understanding and interpreting Service Level Agreement
5. Network support
6. Staff competence
7. Scalability

Onshore outsourcing is a process whereby a local organisation delegates service and operational authority to another company within the same country [18]. For example, an organisation in Nigeria will outsource some aspects of its services to another company in Nigeria. Onshore, resources are not transferred outside the country.

Offshore is the transfer of ICT services from a native country to an organisation in another country [18]. For example, a firm in Nigeria delegated its data centre management services to another company in China. Data centre management is an example of the services that organisations in Nigeria outsource. There is the transference of resources from one country to another. The advancement of ICT and its utilisation in daily activities demands experts' services; thus the option of offshoring could be unavoidable [18, 19].

II. Related Works

Contribution of outsourcing of IT services to organisations' performance has made it attractive for more firms to invest in. According to [19], outsourcing services boost organisations productivity and greatly enhances national development. However, in [20], it was asserted that it encouraged casual staffing, which contravenes Section 7 (1) of the Labour Act, Cap 198, Laws of the Federation of Nigeria, 1990. This contravention creates underemployment, stagnancy, career frustration low salary and wages. Therefore, it is necessary for Nigeria Government to appraise the modalities of employment with a view to striking a balance for national development.

In [21], the authors posited that outsourcing reduces the complexities of organisational structure and create room for staff flexibility. However, in [21, 22], the researchers proclaimed that outsourcing reduces the risks that is associated with upgrading, replacing, integrating and manning technology for the assurance of better quality services delivery in the future. According to the author I [23], organisations have areas of specialty and

when such aspect of business is given full concentration, it will experience business growth as it promotes high quality services.

The authors in [24] alluded that there are huge capabilities of outsourcing that Nigeria could tap from, especially resources that provide IT essential services like big data warehousing. The allusion of the authors pointed out the fact that outsourcing is a solution that enhances valued quality delivery services if properly applied. In [21, 23] the authors pointed out that outsourcing promotes learning prospects [25], which improve the ideas for processes, routines, and methods for efficient service, thereby affirming the view point in [23]. On the contrary, [25] opined that offshoring decreases efficiency regarding collaboration; thereby preventing the flow of skill-set to the local nation that is sourcing the services.

There are issues of security considerations that have deterred many organisations from utilising the offers of outsourcing technology. In [26], it was highlighted that availability, Third-party data control, network intrusions and attacks are some of the reasons while organisations jettison outsourcing services. Another assertion, made in [26], the administration of IT services is better managed by a third party instead of in-house. The researchers further stressed that enforcing security through outsourcing produces better results than engaging internal measures.

III. Successes of Outsourcing

This section will discuss the successes of outsourcing in Nigeria subsequently.

Risk management

The risk factor is main consideration in outsourcing. It entails the procedures that identify, investigate and control the threats to companies' or nations' infrastructure. Currently, it is one of the vital tools that are advancing outsourcing [27].

Cost savings

Outsourcing reduces cost inefficiencies associated with in-house services including administration, bureaucratic procedures [27]. Outsourcing organisations bear the burden of cost implications as it bears the burden of risks that has been avoided by the outsourcer. As the risks implication is shared among the various customers due to economic of scale.

Flexibility

Another success of outsourcing is the capability of manoeuvrability. It allows modifying engagement. For example, an outsourced data centre backup vendor could easily change from one service provider to another, especially with the latest technology. Projects are planned to accommodate changes.

Timely delivery

It takes a long time for in-house capabilities to deliver a service owing to different factors that may bother consultations on knowledge about services, and the right place to get required items such as software and hardware. Outsourcing fills the gap in consultation as the vendors specialise in the service that is being outsourced to them [28].

Quality service delivery

Every organisation competes with their counterparts in the industry. To stay relevant in the business and sustain it, organisations must strive to give service that would give satisfaction to their clients [26, 28]. For example, organisations that depend on internet for business operations must subscribe to reliable internet service providers.

IV. Problems of Outsourcing

There are many problems facing outsourcing in Nigeria. Some of them are highlighted subsequently.

Fear of data security

The operations of cyber attackers pose serious concerns when businesses want to go outsourcing. The clients would not know what kind of defensive mechanism has been emplacing to secure their data online and in the cloud [27]. In Nigeria, much reputable public and private sectors host their data abroad, which makes citizens and customers doubt the integrity, confidentiality and availability of their data.

Loss of control

Upon signing the outsourcing contract, the company whose service has been contracted becomes the custodian of data; therefore, the local organisations do not have control [28]. The right of control is transferred

to the onshore or offshore organisation. The organisation will depend on the available service that the vendor presents.

Unseen cost

Generally, outsourcing has been proven to be more reasonably priced compares to the onshore contract. However, there may be some hidden and unforeseen charges due to policy changes in the countries involved [28].

Hikes unemployment

The unemployment situation in Nigeria is increasing by the day. Outsourcing contributes to this increasing unemployment as services that would have been handled by citizens and residents of Nigeria are transferred to the country of the offshoring organisation.

Suppress Skill-set

Technological know-how is usually developed or improved upon when there is a need to scale up productivity outputs, quality products, timely delivery of service and the quest to bring innovation to the existing services. Naturally, most people who would develop their skills are from the working class category.

Time Zone

Outsourcing is the migration of services from one country to another. It is a case of trans-border that involves time differences. For example, organisations in Nigeria that have offshored their service to a firm in China would need support to sustain their business. The support service may not be optimal because of work time differences. This could lead to delays in resolving problems and unreliable service.

Casualisation

Onshoring jobs in Nigeria are a rising concern as organisations engage in onshoring services because it is lowly priced. This type of onshoring in the Nigerian labour market is casual employment. It is an employment type where the organisation hires services to local organisations at a cost lower than the actual pricing. Organisations prefer this type of employment because some benefits that permanent employees enjoy do not apply to casual employment terms and conditions. These account for why companies prefer employing casual staff instead of permanent employees [29]. Other concerns of casualisation employment include:

1. Poor salaries
2. Unstable wages
3. Poor medical attention
4. Absence of fringe benefits
5. Lack of job security
6. Absence of pension and gratuity

V. Solutions and Recommendations

This Section will discuss the solutions to some of the problems identified above and make necessary recommendations.

Provision of a business-friendly environment

The current situation in Nigeria does not encourage business growth. There are problems of insecurity and inadequate power supply from the Nation's electricity grid. These situations have made the ease of business transactions in Nigeria difficult and hostile. Given the foregoing, the cost of doing business in Nigeria is becoming too expensive and leads customer offshoring services to countries where cost implications are more economical. The FGN could do more to solve the problems of the country in order to create a business-friendly environment.

Consideration for near time zone

As outsourcing transcends the border, it creates time difference. For outsourcing to be fully harnessed, organisations in Nigeria may consider offshoring services to countries near their time zone. On the other hand, firms could onshore such services to local or domestic firms. This will break the barrier of time difference.

Purpose-driven skill-set development

The Nigeria Government has done so much in developing IT manpower in the country. This is evident in establishment of the National Information Technology Development Agency and the National Board for

Technology Incubation. It is important for FGN and relevant stakeholders not only identify lacking IT skills in the country but ensures they are citizens' capacity is developed and deployed for specific purpose.

Enforcement of the Labour Act

Section 7(1) of the Labour Act, Cap 198, Laws of the Federation of Nigeria, 1990 and Section 17(3) (b and e) of the 1999 Constitution (as amended), prohibit discrimination against employed persons. This is in line with the provisions of Convention 153 of the International Labour Organization. Despite the law, casualisation remains an issue affecting many employees in Nigeria. To curb the problems, there is a need for FGN and relevant authorities to enforce Section 7(1) of the Labour Act.

Recommendations

Given the above-mentioned, it is recommended that the Nigeria Government and relevant authorities should:

1. Create a business-friendly environment for the prosperity of in-house and onshore organisations.
2. Build capacity and deploy them accordingly.
3. Enforce Section 7(1) of the Labour Act of Nigeria.

VI. Conclusion

Outsourcing of IT is widely accepted by industries to proffer solutions to business in these modern times in Nigeria. It is a service that ensures the prosperity of organisations in maximising profits while minimising costs. The study discussed offshoring and onshoring as types of outsourcing. Related previous literatures were examined. Successes of outsources including risk management, timely delivery and quality delivery were outlined. However, there are issues hindering advancement of outsourcing and onshore in Nigeria. Some of the problems were highlighted. Finally, the study proffer solutions to some problems identified and recommendations were made accordingly.

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