

Impacts and benefits of outsourcing



In recent decades, outsourcing American jobs has become common practice in order for companies to stay competitive in the global market and for them to cut costs to make larger profits. Current research and statistics are also suggesting that outsourcing will continue and even increase in the future as these types of business relationships are becoming more standardized and commonplace in today's global economy. The term " Outsourcing" is generally used when Companies contract out certain business functions to an external supplier, eliminating the need to maintain internal staff necessary to perform that function. Outsourcing does not necessarily imply that jobs and production are relocated to another country (UK Essays, 2015, para. 5).

However, offshore outsourcing is the contracting of these business functions to companies in lower cost, primarily developing nations such as India, China, Malaysia, Singapore, and Philippines. Offshore outsourcing refers to trade with an unaffiliated party, while off- shoring refers to trade with an affiliated party(UK Essays, 2015, para. 5). The topic of outsourcing American jobs has been debated for years and has been the main theme for many political and economic debates as some feel it is beneficial and others do not. For many Americans outsourcing and job loss is one of their biggest concerns. The majority of Americans also believe that outsourcing is creating a negative impact on the countries overall economy. One of the largest reason outsourcing has gained such popularity is that it enables cost reduction for the company as they are able to pay foreign workers significantly less for their work.

The cost savings are typically significant and allow companies to produce and sell products at much lower prices. For this reason and many others outsourcing has become a very tempting option for companies trying to increase profits and cut costs. Despite the concern and debate the issue may incite, outsourcing has proved to have many positive impacts on not only America but on the global economy as a whole. Overall, the benefits of outsourcing and offshoring outweigh the bad. One of the most obvious reasons many companies chose to outsource their work is the cost savings that it allows. Due to outsourcing, companies are now able to achieve either equivalent or better quality at a much lower cost. Work that is done in the United States could be completed at a fraction of the cost in countries such as India and Asia.

These countries often provide employees that come with years of experience and are able to handle different business practices and complex projects. They are able to apply their large knowledge base in order to increase productivity and efficiency within current processes. Being able to tap into this large global talent pool can greatly help a company to grow as it combats against shortages of talent(Heric & Singh, 2010, para. 5). It also allows the company more options when trying to choose someone to best fulfill a role.

Most outsourcing vendors specialize in the field they are working in and have the equipment and technical expertise to do the job efficiently, sometimes even better than the company could have itself. Employees from outsourced countries are in very popular demand as their low-cost services still yield high-quality products and services. They typically are able to provide much

<https://assignbuster.com/impacts-and-benefits-of-outsourcing/>

better customer service as they can increase the turnaround time for the customers' requests and can produce high quality deliverables much faster and efficiently (Outsource2India, 2017, para. 2). This will create more loyalty within the customer base and increase customer satisfaction overall.

Choosing to outsource can create huge cost savings for a company for many other reasons as well such as lessening the amount of money spent on recruiting and training and also allowing the company to expand its operating hours. One of the many benefits of outsourcing is that other countries have a different time zone which creates an advantage for the company as they are able to operate and provide services much longer, sometimes even 24 hours a day. This creates a huge advantage and also enables your company to have a competitive edge against others because this allows for customers to constantly have access to resources and customer service.

Outsourcing has significantly helped increase competition by introducing new products and quality standards in the global marketplace. The prices of many consumer goods and services have consistently decreased in order to meet consumer's demands. Quality is also consistently increased as competition is fierce due to consumers having more and more options to choose from. The more competition there is over market share, the more companies have to improve their products and lower their prices in order to create value and importance to their customers. This increased competition has allowed the economy to have much more efficient markets. "Essentially, the sign of an efficient market is where there is an equilibrium between what buyers are willing to pay for a good or service and what sellers are willing to

<https://assignbuster.com/impacts-and-benefits-of-outsourcing/>

sell for a good or service”(Rao, 2013, p. 2). Outsourcing can allow companies to save money when producing their goods and services which enable them to offer them at a lower price. This results in affordability for the consumer and increased demand for the business.

Outsourcing makes strong business sense in many situations and is being utilized by companies of all sizes. Even small businesses are beginning to further recognize its importance as it can allow them to function more efficiently despite possibly having limited resources and staff. As businesses grow, so do their responsibilities which can cause many roles to overlap and can create uneven and heavy workloads. These increases in non-core functions can cause the main focus and activities of your business to suffer. Outsourcing allows the cushion for businesses to step aside from the traditionally handled internal resources and staff and allows for the resources to be utilized in other areas and capacities(Flatworld Solutions, 2017, para. 4).

This allows the company to gain more control over tedious and difficult to manage functions and tasks and allows for workflows to be more evenly distributed. It also introduces positive change by allowing more opportunity to grow and allows room for more innovative approaches and creative ideas. The fund’s companies save from outsourcing can also be redirected in order to improve other aspects of the business or can be redistributed in methods such as expanding the company further, making more business investments or increasing wages and benefits for employees. The cost advantages for the company help them to create flexibility, free up time and also ensure that available resources are being utilized efficiently.

<https://assignbuster.com/impacts-and-benefits-of-outsourcing/>

Outsourcing can help companies to refocus their efforts and allow them to hone in on important aspects of the business that may have been previously lacking. They now have more time to focus more on customer satisfaction, promote growth and future expansion, and explore new technologies and possible streams of revenue. “ Outsourcing results in lower costs for firms, greater profits for stockholders and lower prices for consumers – leading to an increase in the standard of living and an overall increase in employment”(Busler, 2014, para. 10).

Outsourcing allows for staffing flexibility because you can begin with a certain amount of support needed and then can always adjust this amount in order to cater to your business. This flexible nature allows businesses to quickly and seamlessly scale their resources up and down to match not only the direct demand of their business but the consumer demands for their product or service. This creates for financial flexibility in a world of uncertain demand. Businesses are able to create a steady workflow which allows them to always run the business at full capacity even during holidays and off seasons which can often time be difficult to staff for.

When companies employ outsourced staff it is typically with the intention of only employing them for a certain amount of time. Being able to increase or decrease their amount of outsourced help allows for more job security for regular employees as they company is able to drop a number of outsourced employees without affecting the company’s stability as an employer. The utilization of outsourced work allows the company to establish stronger relationships with its regular workers and enables regular employee’s

positions to be buffered from changes in demand (ANTONUCCI, LORDI, & TUCKER III, 1998, p. 2).

Outsourcing allows your company to have more operational control of the business and allows them the time and resources needed to increase in-house efficiency. Being able to allocate duties to your outsourced employees enables workloads to be more evenly distributed. This then allows for your regular internal employees to work more efficiently and cost effectively. Having more time to focus on key functions will allow the business to be more competitive in the market by allowing them to boost innovation and enter the market quicker than their competition. Many companies utilize outsourcing as an initial presence in the country in order to spread their products and services to a larger consumer base. Being able to set up this initial footprint allows the company to have a stronger presence in the country and gives them a competitive advantage over their competition as they now already have a reputation in that country.

Outsourcing allows for companies to outsource with less risk as they are able to now share this burden with their outsourcing partners. Outsourcing allows the company to be more flexible which allows them to better adjust and grow with the ever-changing business market. Often time's outsourced partners are better able to hand and mitigate risk factors as this is typically one of their expertises and also part of their contractual agreements.

Outsourcing can often be used to increase business continuity and reduce the company's risk factors as they are able to relinquish some of these crucial responsibilities onto the outsourced employees. However, although companies can better manage risks they still need to exert control and keep

a close eye on their overseas operations and relations. The company needs to ensure that their products and services are safeguarded from potential issues by ensuring that quality standards are up to par and that issues are addressed quickly and efficiently to avoid them being repeated in the future. The risk of potential problems cannot be eliminated but it should be mitigated, evaluated, and addressed as quickly as possible.

Outsourcing not only positively impacts America but it also greatly impacts the country the company is being brought to. Bringing these jobs to other areas can create a lot of positive changes for that country especially ones that are still developing. A lot of times doing so can bring opportunities to the country that may not have previously been there. Creating jobs in these foreign markets can help to drive down unemployment rates within that country and help to boost the global economy. This enables for many individuals and families in these foreign countries to have steady incomes and provide them with a lot more opportunities than they previously had available. This helps the country become more developed and ensures that as the company is benefiting from the relationship. It also allows the company to have a reputation and presence globally which will enable them to further market and sell their products and services to more consumers. Overall outsourcing is beneficial to both the home and host country as it results in an increase in customer loyalty, levels of quality, revenue, business value, and productivity.

References

ANTONUCCI, Y. L., LORDI, F. C., & TUCKER III, J. J. (1998). The Pros and Cons of IT Outsourcing. Retrieved from <http://www.journalofaccountancy.com/issues/1998/jun/antonuci.html>

Busler, M. (2014). Outsourcing is good for the U. S. economy. Retrieved from <http://www.commdiginews.com/politics-2/outsourcing-is-good-for-the-u-s-economy-26113/>

Flatworld Solutions (2017). ADVANTAGES AND DISADVANTAGES OF OUTSOURCING. Retrieved from <https://www.flatworldsolutions.com/articles/advantages-disadvantages-outsourcing.php>

Heric, M., & Singh, B. (2010). Outsourcing Can Do Much More Than Just Cut Costs. Retrieved from <https://www.forbes.com/2010/06/15/outsourcing-capability-sourcing-leadership-managing-bain.html>

Outsource2India (2017). Top Ten Benefits of Outsourcing. Retrieved from https://www.outsource2india.com/why_outsource/articles/benefit_outsourcing.asp

Rao, A. (2013). 4 positive impacts of globalization on world economy. Retrieved from <http://www.kstatecollegian.com/2013/05/07/4-positive-impacts-of-globalization-on-world-economy/>

UK Essays (2015). Economic and social impact of outsourcing and off-shoring work. Retrieved from <https://www.ukessays.com/essays/economics/economic-and-social-impact-of-outsourcing-and-off-shoring-work-economics-essay.php>

<https://assignbuster.com/impacts-and-benefits-of-outsourcing/>