

Positive or negative effects of outsourcing

[Business](#), [Work](#)



Outsourcing is basically explained as the activity of contracting other proficient and specialized organizations to perform regular business activities or specific business processes of a certain organization (Halvey & Melby, 2007). The outside service provider provides the services back to the organization and it is mainly defined in a long-term contract. The market of outsourcing is expected to grow immensely in the coming years and a huge number of companies are planning to outsource low-end and high end jobs to other destinations.

Although the risks of outsourcing are huge but still organizations are outsourcing their activities to offshore destinations (Cyber Futuristics , 1998). Offshore outsourcing can be considered as the part of globalization of the economy and this phenomenon has been accelerating in the last three decades. In today's world outsourcing is seen as a strategic option and organizations can attain long term benefits from outsourcing their activities (Hira & Hira, 2008).

Organizations on the other hand can focus on their core competencies by outsourcing one or more functions to other organizations that are located in other countries. Ownership actually transfers and that is the major difference between outsourcing and other business relationships. Developing and underdeveloped countries embrace outsourcing because their wide and varied problems are sorted out by this phenomenon. However, certain strategists and individuals from developed countries criticize this issue and they believe that outsourcing is a threat to their economy.

In this paper we will discuss the positive and negative effects of outsourcing in economic terms. Similarly, the impact of outsourcing on the global

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economy and differential economic effects of outsourcing on different nations, MNC's and etc are discussed in this paper. The economic effects of outsourcing are wide and varied and outsourcing in the global competition has brought major changes in the business processes of many organizations and even countries are experiencing massive changes.

Politicians raised their voice against the concerns of outsourcing and they believed that outsourcing have adverse affects of the economy of United States and other major countries. According to a research done by Alsbridge, approximately 80 percent call centers and business process outsourcing takes place in India all these cal centers are owned by American companies. This phenomenon poses several economic threats to America and one of the most obvious threats is people in America losses their jobs and unemployment increases in the country (Manghirmalani, 2009).

However, these organizations attain economies of scale and their operational costs reduce due to outsourcing. By outsourcing in a third world or an underdeveloped country multinationals can save their cost and many companies can even cut their cost to half of their total costs. Similarly, by concentrating on their core competencies organizations can attain larger returns and they can easily enlarge their vision.

Therefore if we look at the bigger picture outsourcing have both short term and long term economic benefits. Offshore outsourcing is considered to be a controversial topic in today's world and it is considered to be an argumentative issue in the world of economics. In order to avoid government intervention many American companies are moving their operations and

these companies consider outsourcing as an important phenomenon because their gross income is increasing.

Multinationals organizations are moving to countries such as India and China and these organizations receive a hefty amount of tax benefits through this approach. Similarly, the quality of customers improves and Americans in return spend more money. The advantages and disadvantages of outsourcing are wide and varied but many strategies and scholars believe that in the long run the economic disadvantages of outsourcing would outweigh the advantages.