

Outsourcing essay

[Business](#), [Company](#)



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Introduction

The word outsourcing is a common word used in today's business processes. Outsourcing means that a company will delegate a particular business process to a party that is not a part of the company ("third party"). The third party offers benefits, apart from being able to fulfil the required work, that the organization will benefit from. When outsourcing is conducted outside the home country of the business organization that seeks it, it is called "offshoring".

Outsourcing is a very controversial issue, especially in the United States. The detractors of outsourcing say that America is sending its jobs abroad thereby limiting job availability for Americans. This is supported by the Bureau of Labor Statistics that indicates that manufacturing jobs decreased in 2005 by about three million due to outsourcing and the trend is increasing. In a similar note, the Associated Press (2004) reports that the US will lose about 3.4 million jobs by 2015 in the service industry alone. Many sceptics feel that these evidences indicate that damage must be reversed as soon as

possible. The social and economic effects are crippling, contributing to a very weak US economy .

Advantages of Outsourcing

Yet despite these pros and cons, outsourcing continues to prosper and in fact gain more ground in terms of popularity and acceptability to businesses.

Simply put, outsourcing improves a company's bottom line and their chances for success . In examining one side of the issue, we summarize the benefits of outsourcing, which are:

- Outsourcing lowers the cost of operations because it lowers the cost of labor significantly. This is the primary reason why companies choose to outsource. The lower labor cost contributes to better margins or savings that are enjoyed by the company.
- Outsourcing enables the company to focus on core businesses or improve on business processes that would require significant amounts of energy from internal corporate resources. Outsourcing frees up resources that could be channelled into other business processes.
- Outsourcing short cuts the learning curve and enables companies to use knowledge that is available in other parts of the world. In addition, outsourcing makes scarce resources available to global companies.
- Outsourcing is a way of spreading business risks. Delegating work to a third party (under proper working arrangements) lessens a company's exposure to business and economic risks.
- Outsourcing also provides some leverage when trying to gain entry into new markets, users or geographies.

Disadvantages of Outsourcing

Outsourcing is not without any disadvantages. Transferring one responsibility to another unrelated party will have a set of characteristics that the business may find undesirable. The potential disadvantages of outsourcing, according to Bucki (n. d.) are:

- Outsourcing may lead to the business losing managerial control. This happens when the company turns over a business process to a third party who may not have the same standards as the outsourcing company.
- Outsourcing may lead to hidden costs. The contract of services may spell out the costs of outsourcing but there are other costs that may not be covered by the contract such as the costs from foreign exchange rate differences, cost of business establishment, among others.
- Outsourcing may lead to security risks because information will be shared by un-related third parties. This could happen for manufacturing companies that protect their patents. The loss of information and the risks associated with it is a clear disadvantage.
- Outsourcing may result to problems with the quality of the company's products. Normally it would be prudent to ensure the upkeep of quality but this would be a very difficult task to do consistently.
- Outsourcing exposes the company to the financial viability of the third party. If the third party is not able to fulfil its obligations which may result in discontinuance of its business, the outsourcing company may suffer as well.
- Outsourcing may lead to bad public reputation if the third party in question is exposed to bad publicity.

Conclusion

Outsourcing is a global success because of how it has changed the world's businesses permanently. Trade no longer is constricted to physical goods but to intangible services as well. Outsourcing is one good example of a free-market trade wherein a service is made available with very little restrictions placed to control them. It is up to the business organization to make use of outsourcing well to make itself more competitive in the marketplace.

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