Outsourcing and the extended organization critical thinking sample

Business, Company

Global businesses are characterized by complexity and dynamism due to extensive dispersion of markets. This has made the companies to prioritize effective coordination of activities and processes within and among organizations. Outsourcing is a critical strategic decision that enables organizations to develop competitive advantages required in the modern business arena. Business corporations are actively making their organizations more flexible and their value chains more elastic (Gottfredson, Puryear & Phillips, 2005). Laterally integrated business models are rapidly increasing, which implies that outsourcing is evolving into a strategic process for fine-tuning the value chain. Outsourcing promises several advantages to the business; however, organizations must develop appropriate strategies to capitalize on these advantages. Despite the challenges prevalent in inter-functional and inter-organizational coordination, advanced information technology enhances this coordination process through creating trust between the outsourcing participants.

Most business corporations embrace outsourcing as a way of realizing cost savings through contracting to a vendor that specializes on efficient performance of a given function. This is because companies that concentrate on specialized functions produce at low costs by virtue of transaction volume and large-scale economies. Outsourcing helps organizations to minimize labor fluctuations that may occur due to changes in the demand of the service or product. Focused companies outsource as a way of eliminating distractions in order to enable them to concentrate on their core competencies (Chi & Holsapple, 2005). Additionally, companies predicate outsourcing on the understanding that such arrangements require quality service in exchange for payment. This ensures guarantees financial accountability, which may not be possible by internally provided functions. The appropriate strategy for capitalizing on the advantages of outsourcing involves determining the kind of relationship that will best meet the needs of outsourcing. This will enable the company to decide the functions to outsource and initiate a search process that utilizes referrals from the service-provider directories. The company seeking to outsource should form a team consisting of an outsourcing expert, senior management representatives, managers of all affected areas and representatives from senior management to help address employee concerns about the decision (Kim, Cavusgil, & Calantone, 2006). The company needs to select vendors with experience in handling similar business processes in order to give the clients quality goods and services that they deserve. This will involve considering the service company’s willingness to customize services and compatibility with the culture of the business. Outsourcing businesses need to outsource cooperating vendors who can be ready to form mutually beneficial partnerships with the clients (Chi & Holsapple, 2005). The outsourcing contract should define responsibilities and performance criteria, outline the rules of confidentiality and highlight ownership rights to new ideas or technology. These will reduce conflicts, boost collaboration and enable businesses to maximize on the advantages of outsourcing.

The greatest challenge facing the process of outsourcing is inter-functional and inter-organizational coordination. The difficulties that arise in the value chain collaboration include different process logic and terminology, issues of confidentiality, interdependencies between internal and external processes, and missing clarification of responsibilities. Information technology plays a critical role in minimizing these challenges by computerizing workflow management, business process modeling and security systems in organizations (Kim, Cavusgil, & Calantone, 2006). This enhances trust between outsourcers and vendors, leading to the creation of mutually beneficial environment for both inter-functional and inter-organizational coordination (Chi & Holsapple, 2005).

References

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