

Example of business essay

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



1. Offshore outsourcing refers to the practice of purchasing inputs (both goods and services) from overseas suppliers (Hira & Hira, 2010). According to the McKinsey report, offshore outsourcing represents both major savings for the companies and benefits general public (McKinsey Global Institute, 2003). It has become a common practice for the U. S. companies in the recent decades due to decreasing fuel and IT costs, as well as foreign markets liberalization and a significant differential between local and foreign input costs, in particular for labour. Offshore outsourcing has been widely used in the IT field after the recent recession, since cost-cutting was the main survival strategy for many companies, and employing IT specialists abroad (often from India) offered major cost reductions (Pradhan, 2003).
2. Quality has been a competitive advantage for the U. S. companies for years. Quality improvement may significantly reduce the cost of rework, scrap and customer complaints management, as well as increase productivity and enhance efficiency. Therefore, quality focus may not only improve manufacturing in general, but also help to bring manufacturing back to the U. S. Thus, by focusing on cost reduction through efficiency and quality, rather than through lower wages and environmental standards, operations managers can help bring manufacturing back to the country without squeezing their profit margins, but by investing in efficiency over low-cost sourcing. Moreover, concentrating on quality and efficiency will give a competitive edge to the companies in the future, when resource scarcity and high fuel prices will reshape the international business playfield.
3. Current trends indicate that the change in the political landscape and rising fuel prices will eradicate the cost advantages of offshore outsourcing.

The new business environment will force U. S. companies to search for cost-saving opportunities in other areas, while lean manufacturing and near-sourcing can help them both in reducing costs and gaining a competitive advantage over foreign competitors. Lean manufacturing focuses on designing robust production systems, which aim to eliminate waste from all aspects of operations. It is tightly related to quality control and continuous improvement of the production methods (Radhakrishnan & Balasubramanian, 2008). Near-sourcing describes the return of manufacturing to the U. S. or closer markets, such as Mexico, in order to reduce transportation costs. These two practices use the strategic proximity of Mexico as the source for cheaper inputs, while capitalizing on the U. S. competitive advantage in technology development for quality enhancement and in the presence of qualified labour force. Together lean manufacturing and near-sourcing can help American companies to prepare for the future and to take advantage of the current trend of “ reverse globalization”.

References

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