

Outsourcing and company

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



What is Outsourcing? Outsourcing is the contracting out of an internal business process to a third party organization. The practice of contracting a business process out to a third party rather than staffing it internally is common in the modern economy. The term "outsourcing" became popular in the United States near the turn of the 21st century. Outsourcing sometimes involves transferring employees and assets from one firm to another but not always. The definition of outsourcing includes both foreign and domestic contracting, and sometimes includes offshoring, which means relocating a business function to another country.

Financial savings from lower international labor rates is a big motivation for outsourcing/offshoring. The opposite of outsourcing is called insourcing, which entails bringing processes handled by third party firms in-house, and is sometimes accomplished via vertical integration. However, a business can provide a contract service to another business without necessarily insourcing that business process. Advantages of Outsourcing : Outsourcing creates opportunities for a company to focus on lowering costs and improving the efficient allocation of resources within a company.

Outsourcing allows a company to redirect its attention to its own competencies and hire outside resources to handle other tasks. For example, Jobs in the mid-west can often consist of phone tech support. However since it is even cheaper to pay people in India then support this community with jobs, it will send its jobs to India, another country which is an example of outsourcing. So outsourcing allows a firm to reduce costs and concentrate its resources on the things It does best while gaining access to expertise it may not have.

Companies outsource primarily to cut costs. But today, it is not only about cutting cost but also about reaping the advantages of strategic outsourcing such as accessing skilled expertise, saving time, cutting cost, concentrating on networking, business growth and core competencies, reducing overhead, flexible staffing, and increasing efficiency, reducing turnaround time and eventually generating more profit. 1. Accessing Skilled Expertise : One of the primary advantages of outsourcing is to get access to skilled expertise.

This skill set may not be a core competency of a company's business, but to allow on focusing on the core mission in providing a high quality product and service to its customer what makes sense is handing over the task to people who can perform it better. Moreover, as a double whammy, a company not only spends less on employee trainings and saves precious man-hours but cuts costs as well. 2. Saving time : When running a business, companies soon discover which skills they possess are strong, weak and non-existent.

Rather than using their time and money to learn several new skills, they can simply outsource to someone who is already proficient. Perhaps they have other things in life besides business to focus on. Companies may want to spend the extra time outsourcing because it gives companies to learn a new skill such as public speaking, a new language, accounting, or some other subject. 3. Cutting Costs and Saving BIG! : Maintaining an infrastructure can be an extra burden for some businesses, which outsourcing can remove.

Outsourcing business requirements to a trusted vendor can help companies to save on the capital expenditure, time, and extra efforts of their personnel. Additionally, companies are no longer committed to invest on employee training, or purchasing expensive software, or investing in latest

technologies. All these help the companies to get higher returns in the longer run. For example, A small doctor's office that wants to accept a variety of insurance plans. One part-time person could not keep up with all the different providers and rules. Outsource to a firm specializing in medical billing. . Concentrating on Business Growth, Networking and Core Competencies : Workload increases with additional non-core functions and the quality of any company's core activities suffers as the business grows. Outsourcing in such scenario to a third party plays an important role by allowing company's key resources to focus on primary business tasks. Because of saving time and energy with outsourcing, companies can focus on growing their business. They can meet with important clients, attend seminars, find potential partners and network as well as tend to the management of the business.

Companies can outsource their weakest areas to those who are already strong in them. 5. Reducing overhead : Overhead costs of performing a particular back-office function are extremely high. Paying wages to full-time employees can severely eat into your profits. It's common for new start-ups to maximize savings by outsourcing to developing countries. People there, who are highly skilled, often work for only a few dollars per hour. It may seem low , but it's often good money for them. Lower overheads from not having full-time employees may give the company competitive edge and mean the difference between success and failure. . Increasing in-house efficiency : After companies allocate tasks to their outsourcing partner, they share the workload of the companies' employees. This allows the companies to develop their internal task force and use them more efficiently. 7. Staffing

Flexibility : Outsourcing certain independent tasks, allows any company's business to maintain a financial flexibility when there is an uncertainty in demand. The company can scale up or down comfortably. At a much lower cost, outsourcing provides additional benefit of running business in full throttle even during off season and holiday months.

Example: An accounting department that is short-handed during tax season and auditing periods. Outsourcing these functions can provide the additional resources for a fixed period of time at a consistent cost. 8. Continuity & Risk Management : Periods of high employee turnover will add uncertainty and inconsistency to the operations. Outsourcing will provided a level of continuity to the company while reducing the risk that a substandard level of operation would bring to the company. Example: The human resource manager is on an extended medical leave and the two administrative assistants leave for new jobs in a very short period of time.

Outsourcing the human resource function would reduce the risk and allow the company to keep operating. 9. Giving A Company's Business A Competitive Edge : The ultimate benefit of outsourcing is that it helps the companies gain a competitive edge in the market. Through strategic outsourcing to an outsourcing partner, the companies are not only providing their customers with best-of breed services, but increasing their productivity while managing their in-house resources intelligently. Outsourcing can help them surpass competitors who have not yet realized the benefits of outsourcing. 10.

Seeing An Overall Increase In The Company's Business : Outsourcing shows an increase in company's productivity, customerloyalty, level of quality,

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business value, profits, and much more. How will the changing face of education impact the supply chain? As you evaluate your choices and decisions in outsourcing different components of your operations, you will need to consider the advantages of outsourcing. When done for the right reasons, outsourcing will actually help your company grow and save money. There are other advantages of outsourcing that go beyond money. Here are the top seven advantages of outsourcing.

1. Focus On Core Activities In rapid growth periods, the back-office operations of a company will expand also. This expansion may start to consume resources (human and financial) at the expense of the core activities that have made your company successful. Outsourcing those activities will allow refocusing on those business activities that are important without sacrificing quality or service in the back-office.

Example: A company lands a large contract that will significantly increase the volume of purchasing in a very short period of time; Outsource purchasing.

2. Cost And Efficiency Savings

Back-office functions that are complicated in nature, but the size of your company is preventing you from performing it at a consistent and reasonable cost, is another advantage of outsourcing. Example: A small doctor's office that wants to accept a variety of insurance plans. One part-time person could not keep up with all the different providers and rules. Outsource to a firm specializing in medical billing.

3. Reduced Overhead Overhead costs of performing a particular back-office function are extremely high. Consider outsourcing those functions which can be moved easily.

Example: Growth has resulted in an increased need for office space. The current location is very expensive and there is no room to expand. Outsource

some simple operations in order to reduce the need for office space. For example, outbound telemarketing or data entry. 4. Operational Control Operations whose costs are running out of control must be considered for outsourcing. Departments that may have evolved over time into uncontrolled and poorly managed areas are prime motivators for outsourcing. In addition, an outsourcing company can bring better management skills to your company than what would otherwise be available.

Example: An information technology department that has too many projects, not enough people and a budget that far exceeds their contribution to the organization. A contracted outsourcing agreement will force management to prioritize their requests and bring control back to that area. 5. Staffing Flexibility Outsourcing will allow operations that have seasonal or cyclical demands to bring in additional resources when you need them and release them when you're done. Example: An accounting department that is short-handed during tax season and auditing periods.

Outsourcing these functions can provide the additional resources for a fixed period of time at a consistent cost. 6. Continuity & Risk Management Periods of high employee turnover will add uncertainty and inconsistency to the operations. Outsourcing will provide a level of continuity to the company while reducing the risk that a substandard level of operation would bring to the company. Example: The human resource manager is on an extended medical leave and the two administrative assistants leave for new jobs in a very short period of time. Outsourcing the human resource function would reduce the risk and allow the company to keep operating. . Develop Internal Staff A large project needs to be undertaken that requires skills that your

staff does not possess. On-site outsourcing of the project will bring people with the skills you need into your company. Your people can work alongside of them to acquire the new skill set. Example: A company needs to embark on a replacement/upgrade project on a variety of custom built equipment. Your engineers do not have the skills required to design new and upgraded equipment. Outsourcing this project and requiring the outsourced engineers to work on-site will allow your engineers to acquire a new skill set.