

# Strengths and weaknesses of leasing (outsourcing) a firm's activities



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The system of outsourcing or employing human resources, payroll, and other management functions of a workforce can be termed as staff leasing or employee leasing.

Also known as outsourcing, such types of rendered services are offered by what can be called a professional employer organization (Encyclocentral, 2008). Outsourcing or leasing is basically paying for the services of an external firm to accomplish a company's internal tasks. This practice operates under a contract between the client and the human resource provider, with certain terms and conditions beneficial to both parties (Sese, 2008). Outsourcing is known to have advantages that can be exploited by clients so as to improve their firm or business.

Companies which provide the sought services may cover information technology, research, data processing, finance, employee maintenance, benefit management, and other various activities depending on the needs of their clients. The leasing or outsourcing company can be provided the most qualified employees for the unique requirements of the firm (iWebmasters, 2005). The professional employer organization concerned can work hand-in-hand with the client, in turn giving it customized services for its specific and distinctive needs. In addition, companies with specialization on their services offered can also troubleshoot more efficiently, analytically, and safely. They also provide solutions faster (Baltic Design Colors, 2008; Encyclocentral, 2008; and Sese, 2008).

Another strength brought about by leasing is the cost-cutting factor on the side of the client while enjoying the specialized services and ace products

provided by the outsource organization. Leasing can reduce operational costs and is at the same time very economical especially for small companies in terms of technical aspects and administrative assignments (Sese, 2008). Popular leasers such as Fujitsu and Sun, for example, offer state-of-the-art computer models that provide high quality product services to their clients. Small companies which can not afford to invest on such hard wares have the option of leasing to improve their operations (Robb, 2005). The client also gets to focus on the more important and strategic aspects of the firm or business, while leaving the simple and routine tasks to the hired personnel from the outsource agency. This would give the firm more time and attention for other high-level functions (Outsourcingtemps, 2007).

Looking for the right qualified professionals to make a firm function well may already be hard and complicated. Leasing or outsourcing would provide a firm with reliable personnel and services, capable of prompt project implementation and with established research potentials. This practically adds to the sustenance, improvement, growth, and competitiveness of the leasing firm (Makhnach, 2007 and Outsourcingtemps, 2007). Outsourcing companies can even be offered the benefit of reducing manufacturing expenditures and taxes, the savings from which can be allotted to the costs of other functions of the firm (Sese, 2008).

When a firm hires the services of an outsource organization, it also becomes free from paying an employee enjoying a leave of absence. The organization is also responsible for the performance of their staff; and maintains standards for the personnel to follow in order to stay connected with their company. Therefore, a firm availing of the service can be confident of having

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dedicated workers (iWebmasters, 2005). Leasing can also save a lot on the cost of personnel training since outsource companies employ trained and skilled staff. In addition, hiring one new employee would mean increasing the expenses of the company, not only due to the provision of salary of the newly hired, but also on the equipment, space, electricity, and other necessities needed by that employee to perform his or her duties (Encyclocentral, 2008 and Makhnach, 2007).

The strengths of outsourcing contribute to make the firm globally competitive by assisting in its expansion locally and offshore. Outsourcing also promotes partnership with companies, which in turn can also uphold and endorse the leasing firm to bigger investment and marketing opportunities (Kerpe, 2008). Leasing, however, also has its shares of weaknesses. Some companies are unfortunately known to engage in tax evasion and scams. Some are also linked to illegal activities involving the client's funds, as some even have records of unprofessionally declaring their organization closed when they can not meet the requirements expected of their company (Encyclocentral, 2008).

Another weakness of leasing lies on security issues and confidential matters. This is especially important in leasing services linked to accounting and financial administrative duties and intellectual property protection (Sese, 2008). Outsourcing can also leave the leasing firm some restrictions in terms of control over the management strategies employed by the outside company. This is also true in controlling the tasks and the way they are performed by the human resources hired. The leasing firm might have its own strategies in mind, but may not be able to implement them due to the <https://assignbuster.com/strengths-and-weaknesses-of-leasing-outsourcing-a-firms-activities/>

different plans, policy, and approaches applied by the outside agency placed responsible for the task (Encyclocentral, 2008 and Sese, 2008).

Differences on the procedures and infrastructure of the leasing firm and outside agency might also lead to misunderstandings and discrepancies on results. There is also a risk of entrusting the firm's activities to an outside company when its provision of high quality services is not yet proved (Kerpe, 2008). In cases of outsourcing offshore, a major weakness is the idea of having different time zones. Another problem is identified with communication barriers.

This can readily be explained by the cultural differences of the client and offshore agency. However, difficulties in communication are not limited to offshore outsourcing as it is also a major problem locally (Kerpe, 2008 and Sese, 2008). This might logically be due to the proximity of the service team to the client firm. This is a cause in addition to the attitude and uncontrollable work behavior of employees, may it be on the part of the leasing firm or the outside agency.

The weaknesses imposed by outsourcing can adversely effect, if not gradually, a firm's global competitiveness. As opposed to the efficient investment strategies coming with exploitation of the benefits of leasing; the disadvantages and risks of leasing may cause the firms to fail if the critical situations are not properly handled. The problems encountered in the system of leasing should therefore be promptly and appropriately managed in order for the firm to reach the global market (Kerpe, 2008). Leasing or outsourcing poses strengths and weaknesses to firms availing of the service. It is

recommended that all these be recognized and included in the firm's strategic planning especially when it aims to be included in the global arena.

With this, any risk brought about by outsourcing would easily be managed while making the most out of its benefits.