

Summary and analysis (the seven deadly sins of outsourcing) article



Summary and Analysis of the Article (The Seven Deadly Sins of Outsourcing)

a. Key ideas/messages in the paper The article elaborates how the phenomenon of outsourcing has caught up with almost all sectors having IT enabled services requirements. Being considered a specialised job, companies try out to outsource the IT services with an objective of cutting costs, improving performance and focusing on the core business. While highlighting the rapid advancements in information technology and the trend towards outsourcing, the article points out seven major shortcomings which often get overlooked by the companies during the process of outsourcing. With pioneering changes brought about by information technology, outsourcing has indeed become an industry itself. Therefore, in order that the mainline industries too gets benefitted to the fullest extent

Jerome Baitheimy (2003) suggest through this article that the following seven ' sins' must not be committed by the companies;

1. Outsourcing activities that should not be outsourced: It has been suggested that the company must have a clear idea of what to outsource and what to keep with itself. Example has been cited of a car rental company which ended up with more IT costs after outsourcing.
2. Selecting the wrong vendor: While making an outsourcing decision, the company must not go by costs or other's choice; instead it should make a decision based upon the needs of the company.
3. Writing a poor contract: Terms of contract are another area for a deeper look by the management
4. Overlooking personnel issues: Outsourcing happens to be a critical decision for the company as well as for the staff; therefore the employees too need be taken into confidence.

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5. Losing control over the outsourced activity: Company must keep a close watch on the functioning of the outsourced services.

6. Overlooking the hidden costs of outsourcing: Different types of costs like management of the venture, search and contracting costs, HR costs etc are also to be looked into.

7. Failing to plan an exit strategy: Company and its management must be prepared for an exit strategy as well, in case of emergency like situations.

b. Critical Analysis

The increasing levels of competition in the globalization regime have made companies all the more conscious about the cost benefit ratios. As the profit margins are heading southwards, multinational corporations around the globe have started looking for locations where they could shift some of their non-strategic jobs in order to cut costs. China, India, Philippines, South Africa, Thailand, Russia, Poland, Mexico, Indonesia, Vietnam etc. are some of the countries where MNCs from USA, UK, Germany and other developed nations have started outsourcing the jobs. Therefore, the recommendations of the article are very much relevant in this scenario. For example, in case of any dispute arising out at the outsourcing destination, the company may not be in a position to take back up measures, which in turn would result in losses on many fronts.

Outsourcing certainly touches upon the human capital management issues. The moment company employees come to know about any such move from the management, they start becoming apprehensive about their future with the company. Recognition of 'conflict' on issues in the management process is central to the difference between HRM and Industrial Relations policies.

There was a time, when western nations used to be big attractions for skilled
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workforce, but today the eastern nations have become the destination of IT professionals. Outsourcing to such destinations leads to huge cost savings, but there are some risks as well. For example, in recent days media has reported instances when the integrity of the all important data was put at stake by the people working at outsourcing destinations. One call centre executive was reported to have sold the credit card information of one of its customer (Mills, 2009). Therefore the advice put forward in the article is quite relevant that such decision need to taken with caution.

But, it also needs to be emphasised that following all the steps prescribed in the article will not only be very difficult, but a drain on the resources of the company as well. While, most of the terms of the contracts have now acquired a standard format, it is very difficult for the company to snoop on the background and credentials of the company. Today's business philosophy of being venture capitalist and taking risks for remaining competitive also comes in the way of following all the steps suggested in the article.

References:

Mills, Elinor (2009). ' Symantec probes call centre data theft allegations'. Available online at <http://services.silicon.com/bpo/0,3800004865,39414785,00.htm> (April 19, 2009)