

# Globalization and offshore outsourcing of goods and services



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## **INTRODUCTION:-**

Here in this topic we shall discuss about the term off shore outsourcing of goods and services to different global regions across several transnational and globalized territories. Globalization in perspective gave way for outsourcing by which created millions of jobs and established various types of companies across developing and some under developed countries. In general globalization means “ The global circulation of goods, services and capital, but also of information, ideas and people. it has shaped all of the 20th century, albeit with large cyclical variations and has become increasingly visible force in recent decades.” (World Bank, 2000, p. 1) So in this perspective globalization has given way for offshore outsourcing for the movement of services and production of goods to low cost countries all over the world.

Here “ Sourcing is defined as the act through which work is contracted or delegated to an external or internal entity that could be physically located anywhere. Sourcing encompasses various in-sourcing and outsourcing arrangements such as offshore outsourcing, captive offshoring, near shoring and on shoring”. (ilan oshri, Julia, leslie, 2009, pg4)

We shall discuss about two terms offshoring and outsourcing, “ Outsourcing is defined as contracting with a third service provider for the management and completion of a certain amount of work, for a specified length of time, cost, and level of service.” (ilan oshri, Julia, leslie, 2009, pg4)

Here the company for ex Microsoft will outsource certain specific job to third party located at different space for the job to get done which the job done <https://assignbuster.com/globalization-and-offshore-outsourcing-of-goods-and-services/>

will be of cost effective and the job who does are skilled technically. “

Offshoring refers to the relocation of organizational activities to a wholly owned subsidiary or an independent service provider in another country”.

This definition illuminates the importance of distinguishing whether the offshored work is performed by the same organization or by a third party.

Consider an example of a company apple where some parts of the products are manufactured and assembled in china as the head office is in United States, this has been done because of low cost labour available there.

This offshore outsourcing typically provides higher advantage for western countries and developing nations through which gives more advantage for the developing nations by creating huge jobs and towards the growth of the economy and relationship between the countries will be good. For western companies this provides them with more cost efficiency in profit as well (ilan oshri, Julia, leslie, 2009, pg4)

as the development of their particular brands through which they can penetrate to various other markets in the future. Mainly offshoring and outsourcing provides them with the technological ideas and communication, this also provides them with improvement with the research and development through innovative ideas producing and introducing various other types of products.

### **Western companies:-**

From the past two decades companies from the west has been well established due to the trading and offshore outsourcing activities as the world became globally united in terms of economic development in terms of

all the nations. The primary advantage for the western companies to offshore outsource is to save money. Apart from this there are wide benefits in competitive advantage from which it created competition across various markets and took the benefit of it. Western companies indeed created globalization which allowed many companies to outsource and offshore their work and production to low cost labour countries which benefitted them from many ways.

The advantages and disadvantages of western companies are:-

1: It expanded the productivity of its products and increased in technology through research and development. (David needle, 5th edition, business in context)

2: Many banks gave them concession in tax paying to companies and they got easily financed for the projects they took on. (David needle, 5th edition, business in context)

3: It has helped more with the exchange of currency FDI which reduced them with the burden of conversion, where the prices fluctuate every second.

4: Profit pressure to restrain first mover advantage through continued innovation.

5: The technical information can be misused in production lines to foreign suppliers.

6: Eradicate current technology design and process advantage hence placing company and country at more disadvantages. (Kotabe, 1999)

When we take an example of Apple where the company is established in America and the products are assembled in china, from where all the products will be shipped to different parts of the world. This helps them with low cost production and selling of the product to the original price. Microsoft is a company where it outsourced almost 75% of the jobs to developing nations by establishing ITs and BPOS, hence all the job is done with low cost and efficiently as the workers are highly skilled, but in some cases they should be more careful as the technical information may be misused as they may be sold to other companies for higher money.

### **Emerging market companies:-**

Companies from emerging markets have recently developed as the availability of resources for many types of products in particular. Egypt was determined to exhibit the strongest market potential among emerging providers of global IT services. Egypt stand out from the crowd as the most welcome off-shore outsourcing destination is that it has a good cultural connection with the West, strong language skills, good positioning as a partner with other leaders in European businesses are the main advantages of Egyptian country. (articles base, offshore outsourcing markets) . Consider the case of china a new emerging economy and fastest growing country in terms of trade, production and outsourcing. They produce and pack goods to supermarkets to usa(wall marts) . The offshoring of products to wall marts have established several wall marts in china, but the problem is as to the local behaviour and consumes of the people in china, many people are not willing to buy products from wall mart which incurred them with heavy losses. A TCL corporation from china produces Sansui, where in previously

they had offshored the technological implications to Hong Kong, creating many jobs and investments, as the economy grew the Chinese itself are doing the job which they had previously given to Hong Kong, which resulted in the loss to the investors and in the economy of the country. So the basic disadvantages of emerging market companies are creating unemployment in urban areas, loss of technology, local market cannot be established easily and many others. (Manuel knaus, article)

### **The workforce of western countries:-**

A major effect of globalization, with its greater accessibility to cheap labour markets, increasing movement of MNCs to low cost countries where lower labour costs provide a competitive advantage. A number of MNCs are cutting jobs more heavily in western countries which created more unemployment. Electrolux AB of Sweden is evaluating 27 factories for closure as part of a strategy to shift the focus of its production from Western Europe to countries with cheaper costs especially Mexico. (Charles and yongsun paik, managing a global work force, page 77). The employees from the west enjoy the flexibility of the work according to the shift pattern in their timings given. Top job priorities will be given to the local insiders where the national minimum wages increases. Highly skilled employees will gain advantage in increased wage and bonuses, Microsoft Company's shareholders from states benefitted as much of the work is done in developing countries. The projection of jobs taken by young people is also an issue where most of the jobs are given to younger people.(holzer and nightingale, reshaping the American workforce in changing economy). Local workers face a stiff

competition on a global scale as it happened in case of company gap where its productivity is in Indonesia.

Many employees have switched jobs from to industries owing to low scale has threatened the manufacturing firms accounted to almost 70%. (Levy, 2005). New skills need to studied by the employees to enter into more highly profile jobs.

### **The workforce of emerging market countries:-**

Taking an example of Infosys as a company from India where much of the job is outsourced creating thousands of jobs to the unemployment. The due to this the economy have been developed a lot, better pay for the employees, high qualified jobs given. In case of china where it's the fastest growing economy also created many jobs in the manufacturing as well as in the technical industry. If we consider Indonesia where the workforce is huge and all the MNCs and other powerful giants established manufacturing units all over the country, by this the major disadvantage is the economy of the country is increased but it decreased the economy to the people, where they are paid only in labour jobs. So even though the country is rich in terms of establishing of buildings, ports, infrastructures, the people are poor with minimum basic wages. If we take the case of Dubai which is good in economy but low in labour works, the people are skilled and doing only high profile jobs, people from India are outsourced to Dubai for jobs in construction and manufacturing units which created many jobs to Indians is one advantage. Due to unemployment in western countries recently closed and stopped many of the manufacturing and infrastructure units, creating unemployment to the developing nations as due to the loss of jobs in it is a <https://assignbuster.com/globalization-and-offshore-outsourcing-of-goods-and-services/>

major disadvantage. Firms established in other nations from developing countries had a bad impact when FDI was stopped due to recession and created towards the cut in jobs and unemployment in developing nations. The spending capacity of the work force increases resulting in buying of own houses and luxury goods.

So these are some of the potential advantages and disadvantages of the workforce, emerging and western countries.