The Effects of Outsourcing

The decision revolving around "Make or Buy" has been the staple of industrial economics over the past few decades. With aggressive globalization, the outsourcing model has extensively evolved throughout the world, with numerous companies offshoring their tasks to external service providers. Although initially companies outsourced to reduce costs, today, offshoring is also done to avail quick and efficient services that add value to their businesses.

What are the effects of outsourcing? The effects of outsourcing can vary from one place to another and can be highly subjective. Like how every coin has two sides, outsourcing also has positive and negative effects. In this article, we have compiled all the major pros and cons of outsourcing to help you analyze the market trends and make informed decisions.

Major Paybacks of Outsourcing

Outsourcing positively impacts productivity, as relocating some jobs to less expensive countries will help businesses save huge overhead costs and avail great services. On the other hand, the host countries can enjoy new channels of money flow when new jobs are created. Some of the key paybacks of outsourcing include -

- Increased Growth in Business
Being a win-win situation, outsourcing helps the outsourcing companies to avail quality services at affordable rates, while the hosting companies get an inflow of money. Therefore, as more and more companies are looking to outsource their business processes to a third-party service provider, a tremendous growth in the business can be expected. This increased demand for service providers also indicates that the need for service providers is also increasing in the outsourcing market

- Reduced Risks
Most of the companies from US and UK prefer outsourcing their services to countries like India, which has a talented pool of resources and also follow stringent data security policies. When companies outsource to India, the risk of substandard services and data breach are hugely reduced. Once the processes are outsourced, the service providers ensure that the projects get completed efficiently, without any mishandling of confidential data

- Increased Business Efficiency
When companies outsource their business processes, it gives them extra time to concentrate on their core competencies. This helps them in increasing their overall business efficiency, as they can get superior services, reduce overhead costs, and also focus on expanding their business

- Efficient Resource Utilization
Outsourcing of services gives access to a huge pool of talented resources spread across the globe. This is because as soon as businesses outsource to a service provider, they get access to skilled resources, advanced technologies, and state-of-the-art infrastructure at minimal costs, which is challenging and expensive to maintain in-house

- Gain Access to a Variety of Services
Businesses often provide numerous services to their clients. However, carrying out all these in-house requires a huge investment. Besides, there is also the risk of certain seasonal projects, which have to be regularly scaled up or down. This change in scalability might require huge investments. Today, there are many offshore companies, which provide a wide
range of services with the option of easy scalability. By outsourcing, businesses can get access to these services and forego the hassle of maintaining an in-house team for all their services. Furthermore, service providers also offer outsourcing companies with the flexibility to choose only those services that precisely cater to their requirements

- Offshore Expansion
Outsourcing provides companies with an opportunity to expand their businesses in offshore centers. Here, businesses can begin by outsourcing their requirements to offshore service providers and then gradually expand the business offshore at centers, as the company settles in the new environment

Drawbacks of Outsourcing

Outsourcing, like any other domain, also has two sides to it. As much as it looks promising, there are some negative effects of outsourcing too. Some of the key disadvantages of outsourcing are listed here -

- Increased Competition
With numerous service providers, outsourcing leads to disintegration and fragmentation of the supply chain, making way for new competitors in this industry. Furthermore, offshoring also nurtures a sense of corporate complacency and disrupts the company’s relation with its customers, labors, and the local communities

- Undermines Company Loyalty
When an employee learns that his job may be outsourced to a third-party service provider at any point of time, he may lose confidence in the employer and also get discouraged. Today outsourcing is no more limited to unskilled jobs. With intellectual and administrative positions being outsourced, even the managerial level employees face job insecurity

- Domestic Workforce Lose Their Jobs
This is one of the key negative impacts of outsourcing. There has always been a debate about the domestic workforce in the outsourcing companies losing their jobs when the companies outsource their services to offshore locations. Unfortunately, offshoring negatively impacts the country’s economy, as the service providers will have cash inflow from the outsourcing companies

What Makes Outsourcing Beneficial In spite of the Cons?

In spite of the negative effects of outsourcing, the pros weigh higher in comparison. More and more companies are choosing to outsource their requirements to offshore service providers as it comes with numerous benefits. Offshoring can help companies to get access to expert and skilled resources who will be able to handle the processes better. It also helps in increasing the in-house efficiency of the outsourcing company, as the employees are left with more time to focus on their core activities.

One of the main advantages of outsourcing is the cost savings. It helps companies to save a considerable amount of time and money, which would otherwise have been invested in hiring an in-house team and maintaining the required infrastructure. In addition, companies can also access a huge pool of talented resources, best infrastructure, and the latest tools and technologies at extremely reasonable rates by outsourcing.

Avail Quick and Efficient Services at Outsource2india
Outsource2india has been providing a variety of services to global clients for over 20 years

https://www.outsource2india.com
now. We have the required infrastructure and skilled resources to provide a wide range of services including call center, software development, healthcare BPO, engineering, creative design, financial services, photo editing, mortgage, insurance, etc.

Our vast multi-domain industry experience helps us to thoroughly understand various business models, the impact of outsourcing, and then provide the services accordingly. Therefore, if you are looking for a reliable, efficient, quick, and cost-effective outsourcing service provider, then please feel free to reach us now!