

# Advantages and Disadvantages of Outsourcing

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## Abstract

*Outsourcing has both advantages and disadvantages. This research was a prospect to investigate and disadvantages of endorse outsourcing business and economics. As a consequence of using selective sampling technique, the samples of this study were 20 managers and director in the selected 20 small and medium enterprises in different types of industries of Chennai that have for applying outsourcing system. The findings exposed that the majority of the respondents agreed that the advantaged included know-how, the potential and time to deliberate process, risk-sharing, and cost reduction such as recruitment costs and operating costs. The disadvantage of using outsourcing included the risk of exposing not to be mention data and technology, wrong partners, lack of customer focal point, and many hidden costs.*

**Keywords: Advantages, Disadvantages, Outsourcing, Business Benefits**

## Introduction

With the globalization, many companies do not have to produce everything on their own. Outsourcing is one of the best ideas that allow many companies to focus on what they do best and outsourcing what others can do better, faster, cheaper, and higher quality. Outsourcing is one of the businesses an increasingly popular organization management strategy (Koszevska, 2004). Outsourcing management adopted in respond business units' requirement of enhancing competitiveness many experts agreed that it is the most management (Tracy and Wierseman, 1995) (Jones and Sasser, 1995) (Sharp, 1997). Outsourcing is nowadays the most popular business concept applied in many companies and many industries around the world (Shy & Stenbacka, 2003). However, there still is a lack of in value insight in many of developing countries towards this type of business concept. Outsourcing is known to be a reduction of costs of raw materials and labor, ensuing in reduced production costs. Moreover, by the system of outsourcing mobility in productions of goods and services between countries in ASEAN Community, it can increase the level of aggressive for all nations.

## Different Types of Outsourcing

### BPO

Business Process Outsourcing (BPO) is a subject of outsourcing that involves the contracting of the operation and responsibilities of a specific business process to a third- party service provider.

**KPO**

Knowledge process outsourcing KPO the description, BPO activities involve carrying out standardized processes for the client. KPO has work that needs higher levels of taking part in the knowledge process outsourcing. Creativity is the nowadays important role in the KPO further investigate in the outsourcing growth is very high level in the sectors.

**Research Methodology**

The qualitative research technique was utilized to seek more insight information from the experiences of managers and directors in various businesses. The purpose of this was to investigate the advantages and disadvantages of promoting outsourcing. By using selective sampling technique, the sample of this study 20 managers and directors in the selected 20 small and medium enterprises in different types of industries of Chennai. For apply outsourcing system for at least five years. The majority of sample groups of selected companies have in Chennai and India. The 20 informants must have at least five years of direct experiences in the areas of outsourcing.

**Findings****Table 1**

S.No	Advantage	Percentage
1	Expertise and fast delivery	89
2	Concentrating noncore process production	82
3	Risk sharing	91
4	Cost reduction-operating cost and recruitment cost	90

**Table-2**

S.No	Disadvantage	Percentage
1	Risk of exposing confidential data and technology	86
2	Synchronizing the deliverables	84
3	Many hidden costs	91
4	Lack of customer focus	90

**From Table: 1** The conclusion revealed that the preponderance of the respondents agreed that risk- sharing is the factor of the advantages of outsourcing, then cost reduction such as operating cost and employment cost, expertise and fast and concentrate on core process production.

**Table: 2** revealed that the majority of respondents agreed that they were many concealed cost, then be short of customer focus, of exposing confidential data and synchronize the deliverables.

**Advantages of Outsourcing**

**Knowledge and quick liberation:** Most of the times tasks or projects to others who specialize in the particular field. The outsourced vendor must have specific tackle and technical expertise, most of the times better than the ones at the outsourcing organization. The tasks should be accomplished faster and with better quality and prompt delivery.

**The ability to concentrate on core progression rather than the supporting ones:** Outsourcing the behind a process allows the organization more time to focus on core business procedure or job assignment.

**Risk- Sharing:** This is the most vital factors determining the outcome of a campaign is risk-analysis. The outsourced must have to plan your risk-mitigating factors better.

**Summary cost such as Set up cost, Operational and Recruitment costs:** Outsourcing reduces the need to hire persons in-house; hence recruitment and operational costs can be minimizing to a great extent.

### **Disadvantages of Outsourcing**

**Jeopardy of Divulging Confidential Data and Technology:** Whenever an organization outsources HR, Payroll and Recruitment services, it involves a risk if exposing confidential company information as well as technology to a third-party. For example, if you allow outsourcing, soon there is going to be imitation products.

**Deliverables:** If you choose a wrong partner for outsourcing, some of the common problem areas include expanded delivery time frames, quality output, defects, and inappropriate categorization of responsibilities. At times it is easier to mitigate these factors surrounded by an organization rather than with an outsourced partner.

**Many Hidden Costs:** In general, the perception of outsourcing is cost-effective at times the hidden costs involved in signing a contract while signing a convention across international limitations may pose a threat.

**Lack of Customer Focus:** An outsourced vendor may have to serve up many companies and organizations at a time. Therefore, they may lack a complete focus on your organization's everyday jobs and job assignment (Wongleedee, 2016).

### **Future Studies**

The only small entrepreneurs in various industries, both managers and director, were selected as the sample. The research may be conducted with companies of large business sizes, as well as in other locations. Further studies for outsourcing may necessitate using both qualitative method and quantitative method gain more information.

### **Conclusions**

To accomplish the competitive advantage it is necessary to reshape the limitations of the organization by making the right decision on what to keep in-house and what to outsource. Overall outsourcing seems to be in the trend. There are some cons to outsourcing, but I believe that is most helps in and complete in a way, now especially over in India. Outsourcing has increased globalization and everyone gains to the expanding in more market. I believe it is a good give and take relationship with relationship and growing companies both sides will in the long run. We are going to be a happening country in the future.

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