

Outsourcing: Pros and Cons

Unlike the popular belief that outsourcing is a recent phenomenon, it actually has been in existence as long time. To understand the growing debate on outsourcing, it is pertinent to understand the pros and cons of outsourcing.

Feb. 11, 2009 - [PRLog](#) -- Outsourcing refers to the process wherein a business contracts with a third party service provider to provide services that might otherwise be performed by in-house employees of the business.

Unlike the popular belief that outsourcing is a recent phenomenon, it actually has been in existence as long as work specialization has existed. In fact, companies have been known to have used outsourcing in some form or the other since a long long time. Typically, companies have been known to outsource those functions that are considered non-core to the business or such functions which needed specialized skills unavailable in the open market.

Of late, outsourcing has been attracting a lot of debates. And the main reason for the ongoing debate is the emergence of service providers from various countries trying to provide services in foreign locations. To understand the growing debate on outsourcing, it is pertinent to understand the pros and cons of outsourcing.

The main advantages for business to opt for outsourcing are:

1. **Cost Savings:-** The costs associated with an in-house employee is always higher than the cost of an outside service provider and this is the primary reason for most of businesses to opt for outsourcing non-core functions.
2. **Quality services:-** Since most of the third party service providers excel at the services they provide, businesses are guaranteed of better quality than an in-house employee would give. Additionally, any service provider will always look to give the best of services since their reputation is at stake.
3. **Access to specialized skills:-** Any third party service provider will be expert at the service that it provides. In fact, to beat competition, it would have to keep honing the skills of its employees. Also, the service provider would build up specialized skills in it's niche area of operation. By outsourcing to such a service provider, business gets access to such specialized skills, which may be of use in some other field of operation of the business.
4. **Contractual Obligation:-** The liability of a service provider is higher than that of an in-house employee. This makes working with them a safer bet for businesses.
5. **Staffing issues:-** By outsourcing a non-core function, a business avoids all the headache associated with recruiting and hiring staff for such non-core function.
6. **Risk Mitigation:-** Many a times, non-core functions may become critical and would need skilled intervention, which the business may be lacking. At such times, if the same function is outsourced and becomes critical in the hands of the service provider, because of the talent pool available at the service provider's end and because of all the experiences it would have gained by way of servicing other clients, it would be in a much better position to counter any kind of risks.
7. **Capacity Management:-** There may be times when the non-core function may need additional hands to meet deadline. In such times, it would become difficult for an in-house employee to tackle the pressure. However, if the function is outsourced, the headache of meeting the deadline is of the service provider.

Besides, since the service provider would have a significantly large talent pool at its disposal, it can easily tide over such issues.

Those are some of the benefits associated with outsourcing. Let's now examine the flip side of outsourcing.

1. Linguistic barriers:- When a function that needs handling of calls is outsourced to a foreign location and the first language of that nation is different from the nation which outsources the function, it may lead to low quality call handling. This concern is evidently higher in call centre functions that are off shored. People find the linguistic features such as accent, word use and phrases that might be very different and hence in-understandable.

2. Social Responsibility:- When off shoring is resorted to, which means outsourcing of a process to a foreign location, it results in reduction of employment avenues in the nation from where the function is outsourced. This goes against the social behavior of the business outsourcing the process.

3. Company knowledge:- An in-house employee will always have a better understanding of the nuances of a function since he/she would always have a better knowledge of the company and its business as compared to a third party.

4. Staff Turnover:- Many people debate that quality of a service provider is as good as its people and as when there is a staff turnover, the quality of services will definitely suffer. In outsourcing processes, the jobs are highly monotonous and this makes people loathe the job after a while. This is a big factor contributing to higher turnover.

So, what do businesses do? Do they outsource or not? Is there anything that contradicts the negative points raised against outsourcing? The answer is "YES".

Let's go by the negative points one by one.

1. Linguistic barriers:- It is correct to say that linguistic barriers do pose a threat. However, there are number of countries which actually promote their people to learn foreign languages which help outsourcing processes a lot. One of these countries is India, where, there are numerous institutions that excel in teaching foreign languages. In fact, all the call centres in India have compulsory accent training for the agents before they go "live".

2. Social Responsibility:- It is true that off shoring of processes result in growth of unemployment in the country from where the processes are being outsourced. However, that's only one part of the story! Outsourcing results in a higher profitability for the businesses which are then ploughed back into the economy. This definitely has far better impact than the negative impact of growth in unemployment. In fact the negative aspect is broadly nullified by the positive impact of profit getting ploughed inside the economy.

3. Company Knowledge:- It's true that an employee would have a better knowledge of the business. However, that knowledge is not built overtime. Any service provider can build the same kind of knowledge provided there is a structured knowledge transfer from the business to the service provider.

4. Staff Turnover:- Staff turnover is something that even a business has to handle with in-house employee. This is something which is a common problem and hence cannot be used against outsourcing

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