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Some Considerations about Outsourcing Strategies

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Abstract – Outsourcing represents a huge economic opportunity for a developing any economy. First, the paper presents elements of outsourcing and how the process affects those. Second, are showed several situations that can be used for implemented an outsourcing strategy. The meaning of presenting those different ways how an outsourcing process can be accomplished is to highlight the idea that outsourcing is better to be adapted to the context, because outsourcing includes a wide spectrum of activities, from operationally process to the firms' functions.
Keywords: outsourcing, management, strategies, benefits

I. INTRODUCTION

Outsourcing means to delegate tasks or objectives to an external entity, which has expertise in some areas or offers a better price-quality report. Thus outsourcing has been described as the assignation of services from one company to another. It is essentially a division of labor.

II. OUTSOURCING COMPONENTS

Of the many varieties of definitions we can synthesize that an initiative in outsourcing involves transfer factors of production, of resources used in that specified activity and the rights of decision or responsibilities to take decisions. The organization which transfers all of this is known as a CONSUMER, the organization which effectuates the job and takes the decisions is known as and the SUPPLIER and aim of the activity is included in a PROJECT (Figure 1).

Consumer

First component, in outsourcing, is the customer, which means a person or an organization that wishes to give a project outside. In general, this feature is intended to use outsourcing as a strategic instrument. The clients may also be categorized by industry and size, so a customer can be a whole organization or just a unit of the organization (a department).

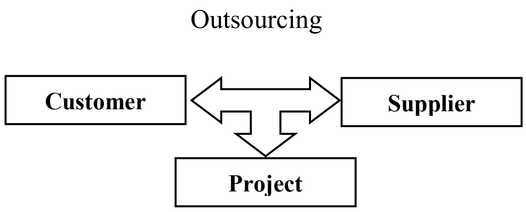

Fig. 1. Outsourcing components

Supplier

A second component of outsourcing is the supplier of processes or services, which will take over the activity and it will unroll through outsourced work. As well the suppliers are classified according to several criteria (location, area, size, number involved in the process). In addition, a supplier may be an external organization (as often happens in the majority of cases), but a supplier can be a subsidiary of the organization. In this second situation customer opens offices in other places, where it is own equipment and transfers in current activities in these locations, due to availability of employment qualified and of the economies of the cost, so the company. Shall undertake, in what might be called outsourcing wholly owned, outsourcing activities by subsidiaries in their possession, where work is realized at a price much lower, but at the same quality.

Suppliers may be classified, depending on their location, such as: some of the suppliers are located onshore, others are located near shore, and others may be offshore.

Depending on the number of partners involved, outsourcing can be: a supplier - a customer; a supplier

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- more and more customers; several suppliers - a customer; more than one supplier - more and more customers [3, 4, 5].

Project

The third component of the outsourcing process is even the activity, which can be found in the form of a project, or a process to be outsourced. In the past, best-known form of the activity was manufacturing. Today there is a movement of outsourcing of several forms of activity, such as: development software, or research and development, these projects differ in some aspects of the old projects.

Outsourcing projects also have another important feature, namely, collaboration between organizations that do not necessarily share same interest or same purposes. The organization-client will want to obtain work that has been done in the highest quality, at the lowest cost possible. The supplier wants to maximize the benefits of the project. If those differences of objectives are not managed in an appropriate manner in the course of contract and in phases of negotiation in the life cycle of outsourcing, will give rise to a disastrous business relationship.

In generally, outsourcing may take forms as:

- An activity carried out intern location (in-side) - refers to the provider team, which shall coordinate their activities, at a customer site;

- Or the off-side outsourcing is the activity carried out at the provider location and is the type of outsourcing the most frequently encountered.

III. STRUCTURES AND THE OUTSOURCING CYCLE

From the definitions given to the outsourcing concept and other issues presented in the literature, projects of outsourcing may be structured in different ways [6, 7, 8]. But to note is that whatever structural approach to outsourcing, it is a cyclical process consists of several stages [1]:

1. Strategic evaluation;
2. Analyze needs;
3. Supplier evaluation;
4. Management contracts and negotiation;
5. Initiation and transition project;
6. Relational management;
7. Changes the output continuous or strategically.

The outsourcing life cycle seen by the authors of „The Outsourcing Handbook – How to Implement a Successful Outsourcing Process" has the structure presented in figure no. 2. But some authors specify that every stage of the project has subcomponents and sub-processes to be considered [7].

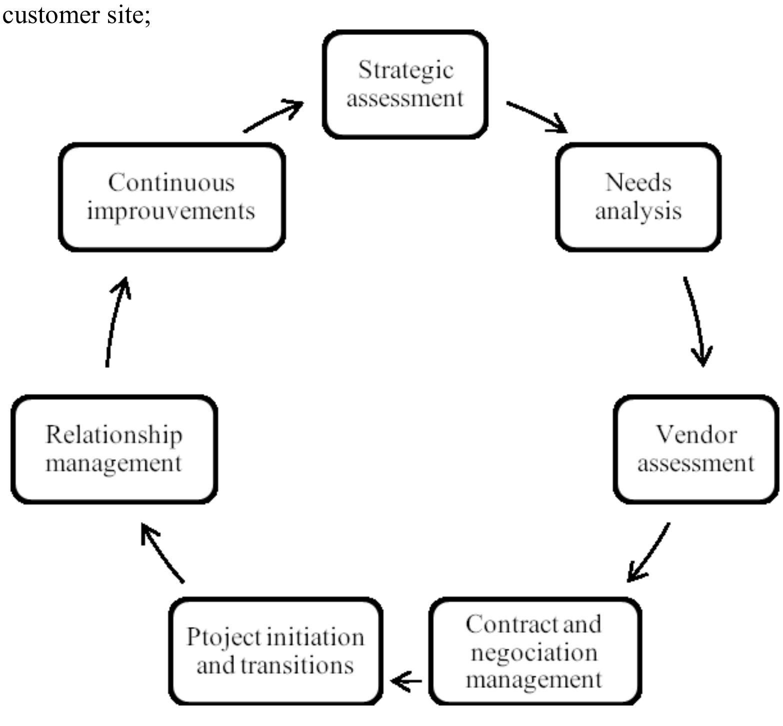

Fig. 2. The outsourcing life cycle (adapted from [8])

Q/P Management Group helps organizations to better identify the benefits, to set the targets in every contract and to implement the measures aimed at developing all outsourcing contracts. This group consists of six stages of the outsourcing management process [9] as presented in the following:

1. Identifying the outsourcing options
2. Setting the action lines
3. Assessing performance values
4. Assessing the current situation
5. Identifying the targets to be achieved
6. Validating the results

Based on the previous ranking, we can outline a graphic of the outsourcing management process. On the basis of the classification before we can achieve a graph of the outsourcing management process, shown in Figure 3.

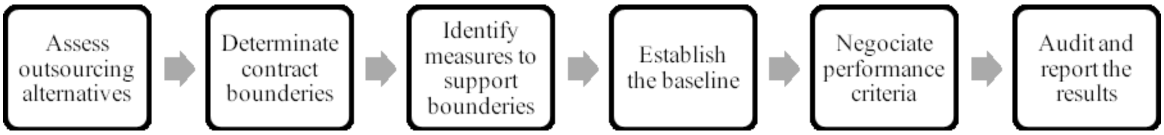

Fig. 3. Stages of outsourcing management (adopted after [9])

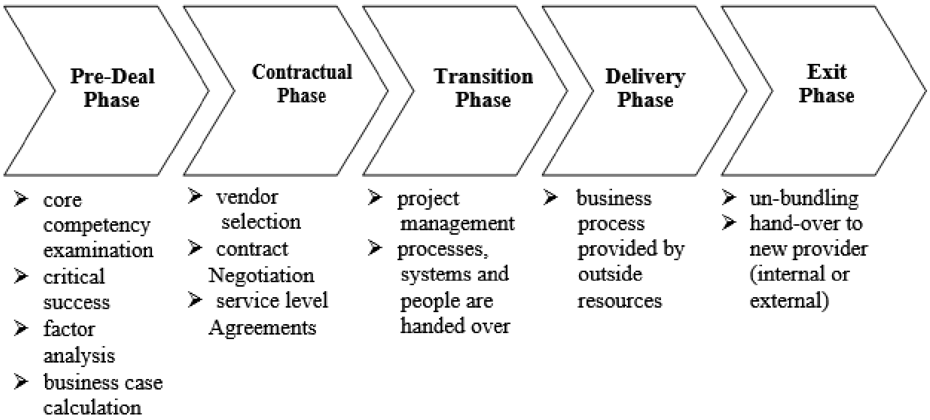

Fig. 4. Phases of Outsourcing Engagement (the vision related to the methodology adopted)

Researchers and professors from Institut für Wirtschaftsinformatik Johann Wolfgang Goethe, have identified five stages of outsourcing [6, 7], that are shown in Figure 4:

The study conducted by The Outsourcing Institute, sustain that a successful outsourcing process must take into consideration the following factors:

1. Understanding company's aims and objectives;
2. A strategic vision and a strategic plan;
3. Selecting suitable supplier;
4. A continuous management of the relationships;
5. A properly structured contract;
6. Open communication between the partners;
7. Manager's support for and involvement;
8. Special attention paid to aspects of staff;
9. It must be justified in the short-term financial;
10. The use of external expertise.

The seven steps suggest by Maurice F. Greaver II, for a successful outsourcing process are presented in Figure 5 [4].

Studying the outsourcing problem in several areas of activity, my opinion is that an outsourcing strategy may be epitomized in only four main stages, as seen in Figure 6.

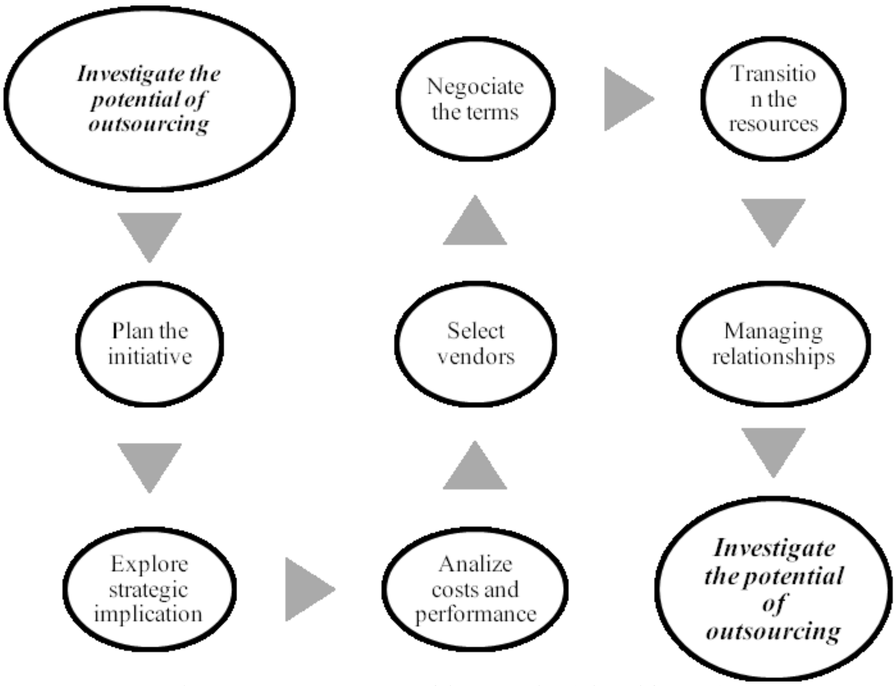

Fig. 5. Seven Steps to Successful Outsourcing (adapted from [4])

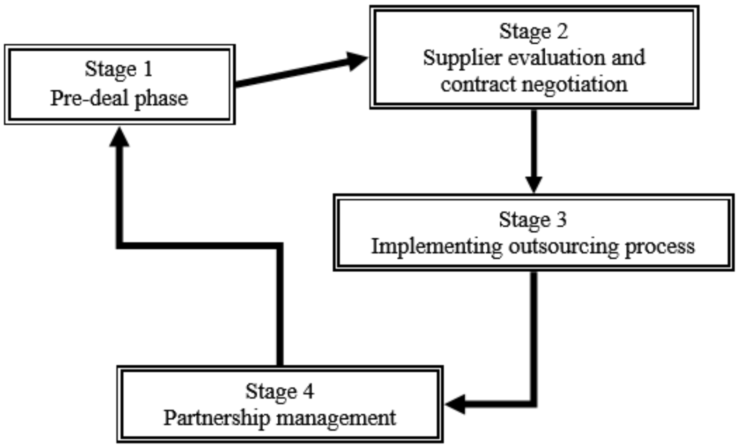

Fig. 6. Main Stages for an outsourcing strategy

IV. CONCLUSION

The outsourcing process allows companies quickly increase or to reduce their level of production, on the creation of new products or repositioning in the market, taking advantage of knowledge and capacities of the other companies.

Organizations that outsource some of their processes are seeking to realize benefits or address the following issues:

- The lowering of the overall cost of the service to the business. This will involve reducing the preoccupation, defining quality levels, re-pricing, re-negotiation, cost re-structuring;
- Resources are focused on developing the core business;
- Access to operational best practice that would be too difficult or time consuming to develop in-house;
- Companies increasingly use external knowledge service providers to supplement limited in-house capacity for product innovation;
- Through outsourcing the time to market is reduce (the acceleration of the production or product development through the additional capability brought by the supplier).

Although the above-mentioned arguments favor the view that outsourcing increases the profit of organizations, management needs to be careful with the implementation of it. Some tends to change their attitudes, personalities, and character on how the way they talk to other clients. Consequently, these challenges need to be considered before a company decides to engage in business process outsourcing.

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