

STRATEGIC OUTSOURCING

Outsourcing is the transfer of control of a process or product to a supplier. Companies outsource operations or processes that are not one of their critical core competencies for economic gain or better quality. At the strategic level, outsourcing allows not only the transfer of control to an outsider, but also the method of production using a different technology or process. In strategic outsourcing a company may outsource an entire service, product, a product line, or an entire plant for strategic value.

The largest single concern in **strategic outsourcing** is the giving up of control of a process or product. The risks involved can be decrease of quality, delayed deliveries, poor production, theft of proprietary design or process, and unintentional creation of a competitor.

A question one might ask is does strategic outsourcing actually benefit an organization? Will it really benefit the company in the long run?

Many large multinational companies have chosen outsourcing as a strategic business decision to accumulate tangible and intangible benefits in the near future as well as in the long run. Outsourcing is best adopted after carefully looking at ones business needs and available options. It is vital that the outsourcing relationship provides strategic business benefits in the future.

Outsourcing does in fact provide a company competitive strategy benefits in a number of ways. It enables ease of management, less manpower, reduction in cost, and frees up internal resources.

Strategic outsourcing is not a short term endeavor. Although it can, and frequently does, provide companies both long- and short-term gains, provided they have a strategic objective for outsourcing. Medium and long-term benefits are best realized by selecting a provider who brings value to a

company's core business processes, rather than selecting one that can provide you with the lowest prices.

All things said, outsourcing is a strategic business decision that should be made only if a company recognizes true business benefits in it. Poorly-planned outsourcing could result in deterioration of service value and cost buildup, but a well-planned outsourcing decision leaves a company assured, knowing that their processes are in safe hands.

Certain recommendations can be made as to the decision making on **strategic outsourcing**:

- Understand different business perspectives and how they affect outsourcing decisions.
- Understand how the perspectives must be controlled in order to drive outsourcing decisions.
- Develop a structured sequence of steps for the outsourcing decisions.
- Develop internal outsourcing decision roles
- Develop evolving governance architecture to support outsourcing decisions.