

Is outsourcing the way to go?

Can anyone really put a date to when Outsourcing took flight? Tom Rafferty, the director of Supply China STO, brings forth the idea that almost every generation believes it invented outsourcing. He mentions “there is no general proof to when this phenomenon started, however the concept of call centres on the subcontinent and the Philippines isn’t new at all” (Supply Chain Review p.20 Issue 130 June 2012)

So is outsourcing really the way to go? It is well worth considering the risks along with the benefits of the idea, so in no particular order, here are some reasons to outsource.

Poor performance:

If your company struggles to provide the best performance and if you can’t improve the situation and if it isn’t one of your core services, consider outsourcing. There are many examples of businesses internationally who have already considered outsourcing. For example, Telecoms. Unfortunately they’ve outsourced to people who struggle themselves to speak clear English and think that it’s okay to keep you on the phone for half an hour right about dinner time!

Cost/head count reduction:

When your business doesn’t have the time, effort or money to conduct a job, consider outsourcing. We all know we can buy labour offshore very cheaply, however do not compromise quality for quantity.

Reduction cycle times:

As mentioned above, when you’re flat out for time and your demand for a product is big, outsourcing can deliver faster design and product development, faster results and quicker access to new technology that you wouldn’t normally have access to. Your business may have been able to fulfil the demand, but not as quickly, or to the highest standard, and overall the costs are lower.

Improving logistics outputs:

Outsourcing to third-party logistics providers (3PLs) became popular for the very reasons already mentioned above. In many cases, businesses have reduced their material handling cost by joining ventures with multi-user warehouses, and ‘sharing’ the costs with the other 3PL companies. Outsourcing in this instance benefits those who then reduce their inventory carrying costs and wave unnecessary port storage and fees.

However, outsourcing also has significant risks which should always be considered.

Long term supplier risk:

You may think your outsource partner is the bees knees now, but this can change in an instance. A partner needs to have financial viability to support and further your venture, otherwise your partner may leave you exposed to significant risks later on.

Loss of control:

When you outsource any function, you may lose viability. When you lose viability, you may lose the ability to control quality, stock availability, functional performance and service standards.

It is now your choice as to whether outsourcing is the way to go. Remember; keep your core services in house. You want to pride your business on these particular services. For those other situations where you are lost for time or money consider outsourcing. But keep in mind do not compromise quality for quantity.