

## Title:

Outsourcing Relationship

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629

## Summary:

Outsourcing is the delegation of tasks or jobs from internal production to an external and separate business partner, very much like a subcontractor. By present standards and definition, it became the equivalent of elimination of local staff in favor of staff overseas to countries where salaries are considerably lower. Countries such as India, Bulgaria, Venezuela and Brazil, among others have become forerunners as outsourcing venues.

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## Keywords:

business, call centers, internet, online business

## Article Body:

Outsourcing is the delegation of tasks or jobs from internal production to an external and separate business partner, very much like a subcontractor. By present standards and definition, it became the equivalent of elimination of local staff in favor of staff overseas to countries where salaries are considerably lower. Countries such as India, Bulgaria, Venezuela and Brazil, among others have become forerunners as outsourcing venues.

It was first seen in the data-processing industry and has steadily spread to include telemessaging and call centers. Recognized as an effective means to save money and improve quality, outsourcing has also made it possible for a company to free its resources for other undertakings. Functions that have been previously performed by a company are supplied under contract from a third party. Goods or services are bought instead of producing them internally.

The process may require the transfer of components or large segments of the internal IT infrastructure of the company to an external source as well as staff and other applications. Since it usually applies to a complete business process, there is a degree of managerial control and risk on the part of the provider. A long-term and results-oriented relationship is expected to be achieved for tasks that each one cannot effectively accomplish on its own.

An initial outsourcing contract would include the actual cost of outsourcing and

the cost of relations management. Items such as pricing, reporting methods, definition of service level and delivery are the most visible portion of the cost. However, there are other things such as understanding each other's objectives, building trust and respect and developing open and honest communication that comes into play. When any of these items is out of sync, costs automatically increases, negating whatever savings is expected from the outsourcing contract. The more items related to relationships between the company and the provider that is not in complete harmony, the more expensive the outsourcing contract becomes.

To minimize encountering these types of problems, the user company should find a suitable service provider in the process. The culture, especially on communication styles should be similar. Providers' suggestions on process improvements should be heard as they are considered the experts in their line of work. The company should be able to define and develop communication methods as well as problem escalation procedures to guide the provider.

Service providers on the other hand, should learn to recognize the customers that are right for their business. They should also ensure that communication styles are compatible with the user company. They should also have adequate empowerment to swiftly resolve minor issues.

A healthy outsourcing relationship results from the right attitudes of both parties. By being open and honest, costly surprises are avoided on both sides. Responsibilities for both success and failures are shared by analyzing jointly individual contributions to the problem so as to avoid the same mistakes.

Many outsourcing contracts have gone sour since their inception. Some ought to be examined very carefully if it is worth continuing at all. A bad relationship hurts both the service provider and the outsourcing company, affecting performance and productivity to the detriment of both.

Major world players in the outsourcing business continue to change the face of the marketplace. India continues to hold its leading position and user companies are more inclined towards enlisting Indian partners to revamp business processes. Brazil has its time zone which is only about one to three hours late than New York. Its culture is even more similar to the US than other existing service provider countries. Software developers from Bulgaria have been rated as one of the best IT experts during the last decade. Venezuela has the labor cost advantage. Whatever outsourcing venue is chosen, the major considerations are expertise, scalability, speed-to-market and cost efficiency.