

Outsourcing Statistics: The Pros and Cons

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Outsourcing is a popular method of doing business all over the world, and everyone from large corporations to small businesses can take advantage of its benefits. Put simply, it is a practice that involves allocating certain functions and responsibilities to individuals and companies outside of your own business. This allows your own employees to focus on other, more important, responsibilities without getting tied up with extra work that can be done more efficiently and inexpensively by other professionals. [If you're completely new to the concept of outsourcing, take this course](#), which covers the basics.



Outsourcing is a somewhat controversial topic, with strong supporters on one side of the argument and opponents on the other. The main concern is that many jobs that could be kept within the country are given to people in other nations instead. So, in order to determine whether outsourcing is a good step for your business to take, you have to understand the pros and cons associated with doling out work to people outside of your company.

Outsourcing Statistics

Outsourcing has grown in the last decade, and recent statistics show that more than two million jobs were outsourced in 2013, with many of those opportunities going to workers in China and India. 43% of the IT sector was outsourced, 26% of distribution is now taken care of offshore, 12% of call center jobs are found overseas, and 38% of research and development (R&D) is taken care of by workers outside of the country.

Reasons Why Businesses Prefer Outsourcing to Doing Business In-House

There are several benefits that can be derived from outsourcing certain aspects of your business to other individuals and companies, even if they're as far away as halfway around the world. In 2013, a reduction in costs was the main reason businesses used offshore outsourcing, while gaining access to IT capabilities came in second.

To understand the benefits of outsourcing, [read this blog post](#) on how it can increase profits in a variety of ways.

Improved Efficiency

When it comes to doing business successfully, efficiency is key. After all, time is money, so one of the first things that students are taught in business school, and one of the first things that consultants will recommend, is efficiency. This essentially means that your company is able to produce a lot in the shortest amount of time while still maintaining the highest quality for your customers. It can be difficult to achieve efficiency, but once you have it, you'll notice that your costs are reduced and your profits increase.

Outsourcing allows a company to become more efficient by giving work that can't be accomplished in-house in a reasonable amount of time to those who are specialized in the field and have the tools to do it right and do it quickly. 53% of manufacturing companies take advantage of offshore outsourcing in order to improve efficiency while cutting costs. If you're interested in using outsourcing to improve efficiency within your business, take [this course to learn how you can become more productive and more profitable](#).

It's Not All About Reducing Costs

Reducing costs isn't the only reason why outsourcing is so popular. Global business allows individuals to come together and work towards a common goal, and outsourcing lets companies tap into a large pool of talented workers from all over the planet.

It is important to note that outsourcing doesn't always refer to offshore outsourcing. Instead, it can be done within a company's own country. Freelancers and contractors, such as artists, writers, and IT professionals, can all be used whenever they're needed without having to hire all of these individuals on a full-time basis. While a company may be able to reduce costs by outsourcing in this manner, it is more about the value of the work that is being done and the fact that the business's own employees may not be as well equipped to handle these tasks as professionals who do it for a living.

A Global Economy and Lower Costs for Consumers

Supporters of outsourcing also claim that it helps improve the economy both at home as well as abroad. Countries that were previously struggling can now succeed in the marketplace because of companies who outsourced their needs to them. And when businesses are able to cut costs through outsourcing, they are then able to transfer those savings to the consumer, who enjoys paying less for the products they use every day, and this ultimately leads to a higher standard of living.

Problems Associated with Outsourcing

Even though businesses that outsource work will defend their choice, there are strong opponents to it who would prefer companies work with local professionals only or hire more employees in order to create more jobs.

Job Losses

When multinational companies started outsourcing their jobs, millions of people became unemployed as a result. Everything from manufacturing jobs to research and development (R&D) positions, IT services, customer service jobs, and distribution centers were lost when the largest companies began sending these jobs offshore. This left many employees looking for work and being forced to change career paths in order to be able to find employment again.

Finding the Balance

While a business sees outsourcing as a great opportunity to control or reduce costs, free up resources, gain access to talented professionals in a variety of fields, and become a global player, the other side of the coin is that jobs are lost and people are directly affected by this practice. And these facts should definitely be considered before you and your organization choose to outsource your work, especially if you're planning on utilizing offshore talent. Weighing the pros and cons and considering the local economy and job market will help you reach the best, and most ethical, decision that works for both your profits and your community.

How to Ensure Outsourcing Will Work for You and Your Business

Whether you're planning on outsourcing to individuals and companies within the country or outside of the country, there are certain steps you need to take to ensure you're doing it right and will be able to reap the most benefits from this popular method of conducting business. Otherwise, you risk actually losing money, sacrificing your quality, and making your customer base turn away from you in search of better options.

For example, if you're planning on outsourcing your customer service center, you need to be absolutely certain that the call center you're now planning on utilizing will be staffed by individuals who really understand your company and your customers' needs so that complaints can be dealt with in a timely fashion and so that customers' satisfaction is put first.

On the other hand, if you're planning on hiring a manufacturing facility, you need to be sure you're able to actually visit the facility in order to see its operations in person. Are they really as efficient as they claim, and are

they really using machinery they claim to have in-house? What do they do to make sure the products are manufactured using the highest quality ingredients or materials that you're paying them to use? And what precautions are taken on a daily basis in order to ensure all workers will be operating under safe conditions and that the products themselves will be safe for use by your customers? Whether you manufacture children's toys, pet products, or food, when it comes to producing these items, a close eye should always be kept upon the manufacturer you choose to hire if you aren't planning on manufacturing in-house.

Hire People You Can Trust and Can Get the Job Done Right

When it comes to hiring professionals outside of your organization, you have to really do your research in order to be absolutely certain they're trustworthy and can get the job done right. Unlike employees that you screen and hire after a rigorous interview, and whom you can watch closely on a daily basis, when you outsource work to other organizations, you're putting all of the responsibility of getting the work done correctly and on time in their hands.

Get references on any individual or company you are planning on hiring. Try to get in touch with former clients, as well as current clients, and ask them questions about how the organization operates and what you should expect from them.

You also need to be absolutely sure that the professional or company can actually do the work you require. A good idea is to check that they have experience working in your industry.

Finally, ask to see samples of work they have previously completed for other clients. This can be done for everyone from the artist and writer to the manufacturer and IT professional. Along with good references, a great portfolio of work will give you the peace of mind of knowing your money will be well spent.

Hire Those Who are Reliable

Reliability is another important factor when it comes to outsourcing work to others because you probably won't be their only client. For example, if another project comes along that pays more money, will they put your project aside? Again, when you outsource, you're making the sacrifice of no longer being able to monitor a worker's output closely to ensure deadlines are always met. Therefore, you have to hire companies and individuals who can guarantee the work will be done on time according to your specifications and that they will never drop the ball and put your success at risk in order to fulfill someone else's requirements ahead of yours.

For more tips on how to outsource with success so that you can use your resources more productively and get your talented staff to focus on more important matters, [take this course on everything you need to know about outsourcing](#).

The Right Decision for Your Business

Running any kind of business requires a good sense of how to make profits, cut costs, and operate in an ethical manner that will benefit your customer base, your community, the environment, and fellow businesses. Although controversial, when used appropriately, outsourcing can greatly benefit your business while helping workers around the world, independent contractors, and other small businesses succeed. Like all other business strategies, outsourcing needs to be done right in order for it to be worthwhile and to actually help create jobs rather than take them away.

If you are ready to implement outsourcing practices into your business plan, consider taking [this course, which will guide you and teach you how to use outsourcing correctly](#) so that you can build up your company quickly and easily while also spending less money.