

# Effect of BPO on the Economy of United States

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In previous articles, we looked at how the BPO phenomenon has played itself out in India and other Asian countries that have derived humungous benefits to their economies. In this article, we look at the other side of the coin i.e. the benefits that accrue to the economies of the Western countries as they outsource their business operations and back office work. First, BPO results in significant cost savings to the companies that outsource their back office work. This is because of the fact that the wage differential between the West and the East makes it possible to cut costs by as much as half when the same work can be done in India and other Asian countries for a fraction of what it costs in the United States or Europe.

Next, **BPO allows the companies in the west to concentrate on higher end value adding work and makes them focus on their core competencies.** The point here is that by outsourcing their routine and mundane work, the companies in the west have more time and resources to focus on doing work that is higher up the value chain and hence add substantial value to their businesses.

This fact has been highlighted by many commentators in the West who urge the business leaders and politicians in the US and Europe to look at this aspect before they raise a hue and cry over outsourcing. Given the fact that most of the work that is outsourced brings cost advantage coupled with a focus on core competencies because of the less overheads, this is a double whammy benefit that few companies in the US and Europe can ignore.

Third, **BPO as a phenomenon has resulted in productivity leaps and better ways of doing the back office work by firms in India and other countries of Asia.** This is because of the fact that these firms have perfected the art and science of back office work and are now moving up the productivity curve which means that companies that outsource can be assured of quality with cost. Indeed, this trend of delivering high quality work at half the cost has meant that companies in the West are embracing BPO wholeheartedly. This explains the surge in the number of companies that have jumped on the BPO bandwagon.

Finally, in these recessionary times, any cost savings is welcome and BPO offers the recession hit companies in the West a foolproof way of increasing their profitability and margins. Companies can either grow by boosting their revenues or cutting costs or both. During times of economic downturn, it is often the case that companies look to cut costs as increasing revenues becomes difficult due to the gloomy economic conditions. Hence, the natural and obvious choice for such an endeavor would be to outsource their back office work to companies in India and other Asian countries.

In conclusion, BPO represents a win-win situation for the companies that outsource their work and for the firms that are vendors and partners. Hence, it is the case that the BPO phenomenon has resulted in net gains for both parties in the exchange.

## Authorship/Referencing - About the Author(s)



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