

Outsourcing

The Solution for the New Economy

Why Outsourcing?

Outsourcing can bring a company's entire operation up to best-in-world standards at a cost equal to or less than current expenditures and without huge capital expenses.

To keep pace with today's new economy, companies -more than ever before – rely on their core competencies to provide the key to rapid growth, to further expansion into new markets, and to create a foundation that will strengthen and support corporate goals. Ultimately, these are the resources that create competitive advantage and increase shareholder value.

Yet with the business environment changing at such a high speed, well established companies and new enterprises alike can find themselves outdated

in less than a year, rather than a decade. As a result, corporations are expanding their focus to include three critical questions:

- What is our business model?
- What are the core functions that create competitive advantage?
- What are the essential, but non-core functions that require sustained, high standard performance?

The answers to these questions often prompt companies to consider outsourcing important functions, including finance & accounting, payroll, etc.

Why Outsource?

New sources of competition and new ways of doing business have spawned radical change that are rewriting the old rules of business, while also producing exponential increase in complexity and ambiguity. More and more, competitive and financial pressures are forcing many companies to narrowly define their strategic core competencies and the range of vital, but non-core, functions.

At the same time, outsourcing is undergoing fundamental changes. Ten(10) years ago, companies tested the waters by using temporary employees to fix problems in the “outer rings”. Today, outsourcing has moved toward the “inner rings” of core corporate functions and evolved into an accepted business model. In fact, old rules of thumb, such as “you should never outsource something that touches customers” have gone by the wayside. With the business community becoming more and more comfortable with the concept of outsourcing, outsourcing is now being viewed as a cost-effective way to increase efficiency and take advantage of new ideas, new solutions and best-in-class processes and technology.

Outsourcing also is gaining popularity as a way to reduce financial and operating risks by making them easier to manage. Improved risk management has a direct correlation with improvements in financial performance and shareholder value.

Outsourcing As A Human Resource Strategy

Limited availability of qualified resources is fostering greater demand for outsourcing. Without question, there is an ongoing battle throughout much of the corporate world to find and retain skilled employees. In the “war for talent” companies that can provide career paths -rather than merely positions - are the ones who winning the battles. Nevertheless, as companies scramble to find bench strength among their in-house personnel. Turning to qualified, external outsourcing partner often become the next logical step. Furthermore, in an age where “focus on your core competency” is the mantra companies increasingly are outsourcing essential, but non-core functions to the “experts”.

For outsourcing service providers, functions or processes considered essential but not core (for instance finance & accounting human resources and payroll related) in turn are their core competency processes, and they are expert in managing, executing and recruiting for the field. Through a shared service center, outsourcing service providers are able to use economies of scale to their advantage and their clients' advantage with lower recruitment and retention costs, increased accuracy, and improved speed and efficiency.

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Outsourcing as an IT Strategy

A whole new generation of accounting or perhaps HR and payroll software products will debut over next few years that will dwarf the performance of products currently on the market. Organizations are realizing that these tremendous changes in technology and what are considered the best systems and processes, it is becoming increasingly difficult to keep up with technology enhancement. So why not hand that responsibility over to outsourcing service providers. Significant technology investment on an ongoing basis is a key value-added that outsourcing service providers bring to their client.

Outsourcing clients are able to take advantage of the leading service providers' massive technology investment and thus gain access to more flexible and robust systems than they can afford on their own – either because of the cost or risks are too high to justify. Through the share service center concept, companies can reap the benefits of these high-end solutions by tapping into their provider's significant and continuous technology investment, skilled staff and process expertise.

What the Future Holds

Alliance and partnerships are becoming a prevalent way for companies of every size and business model to do business. Outsourcing is an innovative way to establish both an alliance and a partnership.

The technology like internet will have the greatest impact on companies' operations by automating processing and in effect, making human intervention less critical. More and more companies will move toward "light out" processing, where everything is done by computers overnight. Rest assure however, that this will not mean a tremendous loss of jobs because there will always be a need for people to control automated process and add value.

But business process outsourcing is a means, not an end unto its elf. It is only one tool for achieving a business strategy. That is why it is vital to choose the right outsourcing service partner – one that takes a holistic view of your organization and makes the best recommendations for achieving greater success in your organization.

Top 10 reasons companies outsource:

10. Cash infusion
9. Share risks
8. Make capital funds available
7. Function difficult to manage/out of control
6. Accelerate reengineering benefits
5. Resources are not available internally
4. Free internal resources for other purposes
3. Gain access to the best capabilities
2. Improve company focus
1. **Reduce and control operating costs**

